

FINANCIAL TIMES

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Pages 13 and 15

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Game for conservation

South Africa's new wildlife reserves



What now for Portugal

Southern France

Today's surveys

Separate sections

WEDNESDAY NOVEMBER 8 1995

British ministry attacked in Gulf war illness report

World Business Newspaper

A British parliamentary committee attacked the Ministry of Defence's "hopelessly inadequate" response to evidence of serious illness among veterans of the 1991 Gulf war, saying it was "appalled" by the ministry's reluctance to investigate the so-called Gulf war syndrome. It drew a sharp contrast between the "compassion" shown by the US government and the "scepticism, defensiveness and general torpor" displayed by the British ministry.

French TV chief faces bribery charges: The head of France's



most popular television channel, TF1, was taken into police custody in connection with allegations of bribes linking the channel with the country's national lottery organisation. Police interviewed Patrick Le Lay (left) in his pentbouse office at TF1's

headquarters just outside Paris, before taking him to a nearby police station.

US insurer in mining row: The US Overseas Private investment Corporation has tried to terminate \$100m-worth of insurance on one of the world's biggest copper-gold mining projects in Indonesia claiming production had doubled from the agreed level resulting "in an unreasonable or major environmental beaith or safety hazard". Page 14

Baseball teams in \$1.7bn TV deal: Competition in the US sports television market has helped major league baseball teams win an unexpectedly large \$1.7bn payment for broadcasting rights with four TV groups over the next five years Page 15; Editorial Comment, Page 13; Lex, Page 14

Peres continues Palestine plan: Israel pressed ahead with the next stage of Palestinian self-rule as acting prime minister Shimon Peres prepared to strengthen his government and crack down on rightwing Jewish extremists, Page 7

US to drop telecoms limits: The US will abandon rules which limit the stake foreign companies can hold in domestic telecommunications groups "in five weeks," the Federal Communica-tions Commission said. Page 5

EU lists Japan trade barriers: The European Commission presented Tokyo with a list of 184 Japanese trade barriers it would like to see demolished and voiced concern over a recent rise in the EU's trade deficit with Japan, Page 6

Trinidad parties tied: Trinidad and Tobago's two main political parties have emerged with 17 seats each from the general election, leaving the smaller National Alliance for Reconstruction as kingmaker, Page 5

Congress debates US debt cailing: The House of Representatives began debate on temporarily extending the \$4,900hn faderal debt celling. but may attach "poison pill" conditions that could render it unacceptable to President Bill Clinton.

Turner Broadcasting System, Ted Turner's cable television group, which is finalising a \$7.5bn merger with Time Warner, reported a doubling of net income before one-off charges in the third quarter from \$20m to \$40m. Page 20

British hotels 'better value': Britain's mid-price hotels offer better value than French and German counterparts, but fall behind in the qualification levels of their staff and the amount they spend on refurbishment, the Confederation of British Industry said. Page 8

Japanese hank 'loses' rescue cash: Jopanese financial regulators' credibility has been dealt another blow with the disclosure of a missing Y100m (\$965,000) in the Bank of Japan's special loans to Kizu Shinyo Kumai, the Osaka-based credit union which collapsed in August. Page 4

Nippon Steel, Japan's largest steel maker, reported first half profits of Y29 4bn (\$285m), compared with a loss of Y28bn in the same period last year, but warned that prospects in the second half remained uncertain. Page 18

italy to open up gambling: The Italian government plans to liberalise betting to allow it to cover all sports - opening up a potentially lucrative market for foreign bookmakers. Page 2

Crédit Agricole, France's biggest mutual bank, is to pay nearly L300tm (\$188m) to lift its stake in Banco Ambrosiano Veneto, one of Italy's largest

banks, to just over 30 per cent. F	. age 19
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O THE FINANCIAL TIMES LIMITED 1995 No 32,827 Week No 45

S Korean business chiefs face bribery questioning

South Korean prosecutors will today summon some of the country's most prominent businessmen as investigations widen into allegations that big industrial groups bribed former President Roh Tae-woo for government con-

Among those to be questioned are the leaders of the country's largest conglomerates. Thay include Mr Lee Kun-hee, chairman of Samsung, Mr Chung Ju-yung, founder of Hyundsi, Mr Koo Cha-kyung, honorary chair-man of the LG group; and Mr Cboi Won-suk, chairman of

Probe into claims of government contracts-for-cash widens the Dong-ah construction group. The development took analysis by surprise since prosecutors ear-

lier indicated they would limit their investigation mainly to medium-sized chaebol (industrial conglomerates). Government officials and business executives have expressed fears that an extensive investiga-tion into the chaebol's links with the Roh administration would harm economic growth.

The Federation of Korean Industries warned yesterday that

industrial growth could slow this month because the inquiry might discourage corporate lending by banks and other financial institu-tions. This is likely to result in growing bankruptcies among

cash-poor small companies. Prosecutors explained tha main business leaders were being questioned to assure a sceptical public their investigation was being thorough in exposing possible corporate payments. Business leaders will be asked whether their political contributions to Mr

Rob's \$650m alush fund were actually bribes to win large construction and defence contracts from the government during the president's 1988-93 term. Other business leaders to be

summoned shortly include the beads of the Daewoo, Lotte, Hanil and Dongbn groups, which are also among the top 30 industrial conglomerates.

The whereabouts of the former

chairman of the Hanyang group are unknown. He is wanted for questioning about alleged bribes

involving his purchase of a Seoul building from the ruling party. Most of the groups under inves-tigation are involved in the con-struction industry, while Hyun-dai, Daewoo and Samsung are also big defence contractors.

Samsung's chairman yesterday failed to attend the roll-out of the first F-16 combat aircraft to be assembled by Samsung Aero-space. The project has been the subject of bribery allegations. Mr Chung Jin-ho, chairman of the Jinro beverage group, was

questioned yesterday by prosecu-tors about allegations that he bribed Mr Roh to win a licence for a joint-venture beer company with Coors, the US brewer. Meanwhile, opposition political parties are demanding prosecu-

tors seek information about the ruling party's 1992 presidential election funds, to determine whether President Kim Young sam's campaign was secretly financed by Mr Roh's fund.

Mr Kim has denied he person ally received money from his pre-decessor and former political ally. The ruling party has said it sources if asked by prosecutors.

Number of ministers is cut Paris markets welcome surprise move

Juppé reshuffles French cabinet to boost reforms bid

By John Ridding, David Buchan and Andrew Jack in Paris

Mr Alain Juppé, the French prime minister, yesterday unveiled a surprise reshuffle of his embattled government aimed at reversing a sharp decline in popularity and strengthening his hand in implementing social and economic reforms.

The move, only six months after Mr Jacques Chirac won the French presidency and appointed Mr Juppé, creates a smaller team with a broader base among the centre-right with which to confront the tasks of deficit reduction and welfare reform. Most senior portfolios, includ-

ing finance, foreign affairs, defence and the interior ministry were unchanged. But the reshuffle cut the total number of ministers and secretaries of state from 42 to 32 and introduced or pro-moted several supporters of Mr Edouard Balladur, the previous Gaullist premier and Mr Chirac's presidential rival.

Financial markets welcomed the move as evidence of the gov-ernment's shift towards increased fiscal rigour. The franc gained more than a centime

against the D-Mark to close at about FFr3.45, although it slipped slightly after the new cabinet was unveiled. The CAC 40 index of leading shares gained 1.9 per cent to close at 1,857.

Mr Juppé claimed his new smaller cabinet would be "more homogenous and better welded together" and it would aim at reducing the country's "debts and deficits, thereby making pos-sible lower interest rates". Mr Lionel Jospin, leader of the

opposition Socialist party, said the reshuffle demonstrated "a profound political weakness". noting that it marked the end of the shortest-lived administration of the Fifth Republic, Mr Laurent Fabius, leader of the Socialists in the National Assembly, described it as "an incontestable admission of failure". A series of policy reversals, failure to make rapid progress in

cutting unemployment, opposi-tion to the resumption of nuclear testing, and a sense of drift in the conservative administration have prompted a sharp fall in popular-ity for Mr Chirac and Mr Juppé. A Louis Harris poll released yesterday gave the Gaullist leadcent and 31 per cent respectively, confirming a decline in popularity faster than any of their Fifth Republic predecessors.

Yesterday's reshuffle followed last month's backing by Mr Chirac for deficit reduction measures and two years of economic austerity. It is aimed at restoring confidence in the government's policies, clearing the way for a cut in interest rates needed to stimulate the slowing economy.

Mr Juppé is next week due to announce ambitious welfare reforms aimed at eliminating annual deficits of FFr60bn (\$12.32bn), allowing France to qualify for European monetary union. The proposals have drawn opposition from trade unions and exacerbated divisions within the conservative parliamentary

Mr Juppé adjusted the balance of his government to ease tentions between the Gaullist RPR and the UDF, its centre-right partner. However, some of his leading backbenchers felt he did not go far enough.

French cabinet gets back on to Balladur track, Page 3; Editorial comment, Page 13; Lex, Page 14



Alain Juppé leaves the Elysée palace after presenting a list of the new cabinet to president Jacques Chirac

Bayer to seek Agfa flotation in two years

By Jenny Luesby in Leverlauser

Bayer, the German chemicals company, is boping to float Agfa within two years after failing to find a buyer for the troubled film

Mr Manfred Schneider, Bayer chairman, also warned Germany stood "no chance" unless it changed economic and social policy. "Under the current conditions, I would not engage one new employee in Germany," he

Agfa bas long been Bayer's biggest problem, and profits have been low for many years. Last year, it made an operating profit of only DM221m (\$156m) on sales of DM6.8bn.

Mr Schneider said earnings had been unsatisfactory at Agfa, but a restructuring had begun which, it was hoped, might lift profitability sufficiently to allow a public offering within two

He said Agfa was too big for venture capitalists or a management buy-out. Any sale to Fuji or Kodak, Agfa's two biggest rivals. would have run into competition problems, while Agfa's European production base made it unappealing to others.

Annonncing third-quarter results that confirmed a slowdown in European demand, Mr Schneider said the group was

Continued on Page 14 Surge in demand behind 43.8% advance at Bayer, Page 18

German growth 'to slow' as investment weakens

Weak business investment will condemn Germany to slower growth and rising unemployment next year, according to a survey of 25,000 companies in both the western and eastern parts of the

The DIHT, the Bonn based umbrella organisation for Ger-many's chambers of industry and commerce, said yesterday that its latest half-yearly survey of com-panies in industry, construction and services had uncovered growing scepticism and uncertainty about economic prospects.

Mr Franz Schoser, the DIHT's chief executive, said the survey did not point to a recession next year. However, the chambers expect growth to slow to 2 per cent in 1996 from 2.5 per cent now forecast by the government for 1995. Although export growth would continue to support activ-

ity, it would slow, largely as a result of the D-Mark's strength. The poll, which covered companies employing about half the

labour force, is the most comprehensive of any carried out on a regular basis in Germany. It had a bleak message for the 3.53m It reported a sharp increase in

the number of businesses plan-

ning to reduce staff, with the

Shops to open for longer

Tha . German government has nomics minister, described the agreed to allow shops to open move as a "a giant step forward" until 8pm on weekdays and 4pm but the HBV retail union promon Saturdays, marking a victory ised a "major demonstration". Report and Lex, Page 14 Bonn heeds mood, Page 2 for consumers frustrated by the country's restrictive hours.

cut employment in the next 12 months exceeding the number planning to take on staff by 23 percentage points. This compared with "negative employment bal-ances" of 12 per cent in February and 16 per cent a year ago. Germany already has a serious

Mr Ginter Rexrodt, the eco-

unemployment problem. Figures yesterday from the federal labour office showed the jobless total increased by 4,800 last month to 3,525,800, and was 78,500 higher than at the end of last October. However, Germany's unemployment rates stayed unchanged. The all-German jobless rate was 9.2 per cent of the labour force at the end of last month, with nnemployment in western Germany at 8.1 per cent and in eastern Germany at 13.8 per cent.

on a seasonally adjusted basis for the third month in succession. ning to reduce staff, with the share of companies planning to lower than the 44,000 increase

reported in Septembar and August's 26,000 rise, Mr Schoser said weak invest-ment was restricting growth. The DIHT survey, showing more companies planned to cut investment than increase it, suggested that investment volumes had peaked in both eastern and western Ger-

many. By contrast, German businesses expect to continue

Editorial comment, Page 13

increasing investment abroad. Mr Schoser accused the government of failing to support businesses, saying it failed to reduce corporate taxes and made no significant progress towards improving Germany as a base for industry. Although the 1996 federal budget envisages a reduction in tax burdens for most Germans. he expected only weak growth in domestic demand because lower taxes would be largely offset by higher social security costs and increased charges for local ser-

Unemployment rose last month vices, such as refuse collection. Int. Bond Service Managed Funds LORDON - LEEDS - PARIS - FRANKFORT - STOCKHOLM - MEN YORK - LOS ANGELES - TOKYO



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or Property a market Charles Sterens

By Emma Tucker in Brussels and Charles Batchelor in London

European Union industry ministers voted yesterday to prolong until October next year a special regime that allows state aid to be paid to EU sblpbuilders,

in spite of protests from Germany. Sweden and the UK, who want subsidies to the sector to be phased out as soon as possible, the ministers decided to delay ratification and implementation of last year's inter-

national accord to end shipbuilding subsidies until the other main signa-tories to the pact - the US, Japan and South Korea - have fulfilled their side of the bargain.

At the meeting in Brussels, the ministers said they would outlaw EU subsidies as soon as the other parties to the agreement - negotiated within the Organisation for Economic Co-operation and Development in 1993-94 - had ratified. If not, they would reconsider the matter in June next year, ahead of the October deadsame," said Mr Karel Van Miert, the EU'a competition commissioner.

The current EU regime on shipbuilding allows governments to award shipyards up to 9 per cent of a contract value. This will have to be of subsidy may be reduced, but it cannot go back above 9 per cent. UK shipbuilding sources said they were disappointed at the failure to end the arrangement allowing shipbuilding

line. "We want to eliminate ship sub-sidies so long as our partners do the countries which paid hidden subsidles above the agreed levels to continue to give an unfair advantage to their industries.

UK shipbuilders believe that countries such as Italy and Spain pay additional subsidies in the form of regional aid or assistance to areas with high unemployment.

The US, too, where naval yards are searching for commercial orders to replace those lost in the wake of the ending of the cold war, has a reputa-

tion for providing generous subsidies, they said. UK shipbuilders said they were not surprised that some countries had been dragging their feet in ratifying the accord reached last year

to end state assistance.
The UK Department of Trade and Industry said it had hoped to limit the extension of the subsidy regime to between four and six months, but pressure for a longer extension from other countries had prevailed. There was no indication last night that the UK would unilaterally end subisidies.

EUROPEAN NEWS DIGEST

UK blocks aid for Irish steel

only steel company by refusing to endorse a state aid plan that would allow the Irish government to conclude a deal with the Indian bidder, Ispat International. Although both the UK and Ireland reported "progress", they will have to return to the

The Irish government wants to grant Irish Steel, situated in County Cork, ISSSm of state aid so that the sale can go ahead. However, both the British and Luxembourg delegations say the aid is unfair and will harm other steel producers in the EU. Mr Tim Eggar, the UK industry minister, said he was not confident a deal could be reached over the next few weeks.

The negotiations took place at an industry ministers meeting in Brussels. Under the EU's steel code, all decisions on steel have to be agreed unanimously. The Commission had recommended that the aid to Irish steel should be granted. Steel production in Ireland accounts for less than 5 per cent of EU production, but producers in the UK and Luxembourg fear tha aid will allow Irish steel to increase production in the sensitive sector of construction steel. Emma Tucker, Brussels

UN fears fresh Croat offensive

Croatia could retake eastern Slavonia, the last bit of Serb-beld land in Croatia, in a 48-hour blitzkreig, United Nations military officials said yesterday. Fearing their fate in Croatia, local Serb leaders this week rejected the latest international proposal for a period of transitional rule before the region came under direct rule by Zagreb.

Diplomats fear an impatient Croatia may try to take the region by force before the UN mandate expires at the end of

A worrying sign, said the UN official, was that the Croatian army on Monday had moved 15 ambulances from Zagreb to set up a field hospital in Osijek, the regional capital of eastern

He said the Croatian army would crush the rebei Serbs within two days, assuming Belgrade remained above the fray rather than risk air strikes from Nato or undo any movement towards the lifting of sanctions. Laura Silber, Belgrade

Walesa wins electoral support

President Lech Walesa, who will face Mr Aleksander Kwasniewski, leader of the former communist Left Democratic Alliance, in the final round of Poland's presidential election on November 19, has won the support of the Freedom Union, the largest opposition party in parliament. The Freedom Union is led by Mr Leszek Balcerowicz, who was responsible for introducing free market reforms in Poland in 1990.

Final first round results from Poland's 49 provinces showed Mr Walesa winning 33 per cent of the vote, slightly behind Mr Kwasniewski who won 35 per cent.

Mr Jacek Kuron, a former Labour minister and the Freedom Union's presidential candidate, won 9 per cent whila Ms Hanna Gronkiewicz Waltz, the head of the central bank, received 2.8 per cent.

EPP takes federalist line

German chancellor Helmut Kohl's ambitions of creating a Europe-wide political movement moved a step forward vesterday at the end of a three-day conference of the European People's Party, the main grouping of Christian Democrat and conservative parties in the European parliament.

Despite divergences among members, the meeting approved a strongly federalist document on the approach to the a strongly reterants to cument on the approach to the European Union's 1996 inter-governmental conference. Calling for an end to the principle of unanimity on foreign and defence issues, the document flies in the face of UK Conservative party policies. Tory Euro-MPs belong to the 20-party EPP on an individual basis, although the party itself does not. The EPP's document also raised the possibility of a European tax to replace existing sources of EU revenue. However, a suggestion that the 1996 conference should go "substantially beyond" the mandate set out in the Maastricht treaty was dropped in the final version of the David White, Madrid

Big packaging merger approved

The European Commission is expected to approve a \$5.2bn packaging merger between CarnaudMetalbox of France and Crown Cork & Seal of the US next week. The deal will create the world's largest packaging company with combined sales of \$10bn, and is the biggest merger ever to come before the European Commission.

Approval will be granted on condition that the two companies sell five European Union aerosol productioo units, representing a significant chunk of the EU aerosols market. The two companies have agreed to this. Other initial objections from the Commission's competition authorities have been resolved. These included fears that the merged companies would dominate the market for food cans and would be so powerful it would be able to force down the price Emma Tucker, Brussels

Kinnock's 'recipe for paralysis'

Plans by Mr Neil Kinnock, the European transport commissioner, for the EU to negotiate aviation deals with the US on behalf of all member countries were dismissed yesterday as a recipe for paralysis by Mr Robert Crandall, chairman of American Airlines. Mr Crandall told the British-American Chamber of

Commerce in London: "I think that Mr Kinnock's desire to negotiate between the EU on the one hand and the US on the other is absolutely the best prescription (to ensure) that there will be no change in my lifetime."

Mr Crandall said talk of increasing air competition by the EU and member countries was not borne out in practice. He said airlines had had to take legal action in the French and European courts to win the right to provide new services at Orly airport. Michael Skapinker, Aerospace Correspon

ECONOMIC WATCH

Greek inflation declines again

Greek inflation Greece's annual inflation rate slowed to 8.3 per cent in Annual % change in CPI October from 8.4 per cent in September, the country's statistical service reported yesterday. Inflation has fallen steadily from 11 per cent last December but is still more than double the European Union average. Economy ministry officials said inflationary expectations were being rekindled by internal debate in the governing Panhellenic Socialist Movement over

inflation target of 7.9 per cent.

relaxing controls on wages and pensions next year. However, the government still expects to achieve its year-end The statistical service also reported a 1.8 per cent rise in manufacturing output for the January-August period. Manufacturing output jumped by 5.4 per cent in August, the

sharpest monthly rise for more than 15 years. Food-processing and textile manufacturing, Greece's leading industries, contributed most to the increase. Kerin Hope, Athens Denmark's seasonally adjusted unemployment reached 9.8 per cent in September compared with a revised 10.2 per cent in August and 11.7 per cent in September 1994, the National Statistics Office said.

 Industrial output in Slovakia rose 13.2 per cent in real terms over September 1994, the Slovak Statistical Bureau said.

Italy to move into Mafia's gambling rackets

The government of prime minister Lamberto Dini yester-day decided to liberalise betting in Italy and allow it to cover all sports.
The move, if approved by

parliament, will also open up a potentially lucrative market for foreign bookmakers. The decision is intended to make inroads into the illegal gaming business, reckoned by finance ministry officials to be worth L3,000bo (\$1.8bn) a year.

This business is more than 80 per cent in the hands of organ-ised crime, especially the Nea-politan Camorra and the Sicil-The liberalisation proposal

has been added to the 1996 budget now before parliament. It forms part of a package of measures intended to boost

government revenues by L2,200bn, mainly through increased resort to lotteries. However, the government yes-terday indicated that it opposed expanding the number of casinos because of the threat posed by them being taken over by organised crime. Last week the Senate decided

that every Italian region would be allowed to possess a casino compared with the three currently permitted in the coun-

Until now betting has only been allowed on borse races through a state-run tote system and in the form of two state-controlled football pools. Combined with lotteries, the turnover of this legitimate gaming is believed to be about L12,000bo a year.

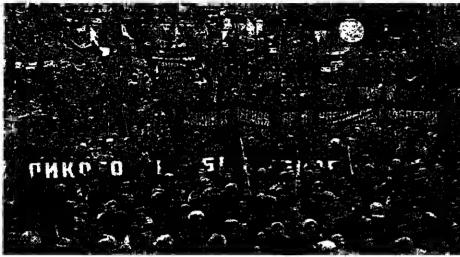
The restrictive laws have allowed illegal betting organisatioos to thrive, but ministers at a cabinet meeting yesterday said they would now play the rackets at their own game and legalise gambling across a wide range of sports fixtures.

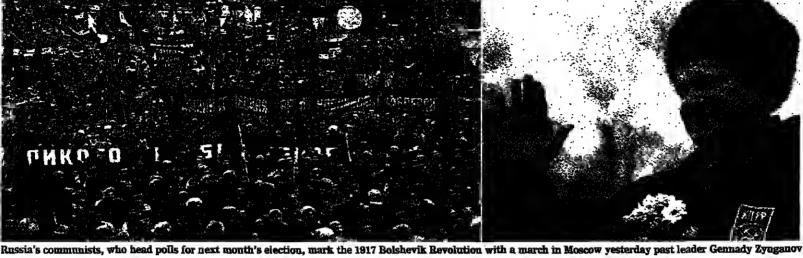
The new legislation eovisages creating bookmaking companies operating under the aegis of Coni, Italy's oational sports federation. All sports approved by Coni on Italian soil are covered - but oot international events or nonsporting events such as bets on election results.

The bookmakers will be able to compete with the existing racing tote and with the state administered football pools. The new operators would be obliged to haod over 5 per cent of their take to the government. Since the existing football pools are obliged to give the treasury 33 per cent of their receipts, this percentage might be lowered. That would mean the overall receipts from betting will not increase sub-stantially.

"We are primarily aiming to pick-up a part of that gaming business which is at present illegal and io the baods of organised crime," a fioaoce ministry official said.

Russian communists hail Lenin, Stalin and Zyuganov





Waigel spells Bonn heeds mood out plan for on shopping hours Emu stability

He first mooted the idea of

Mr Theo Waigel, the German ally join the planned European economic and monetary union (Emu) should set up a "stabil-ity council" to discuss and agree the co-ordination of, national fiscal policies.

By Peter Norman in Bonn

Spelling out for the first time details of German proposals for "European stability pact", Mr Waigel said that Emu members should aim "over the medium term" to limit their annual budget deficits in normal times to 1 per cent of GDP. Countries with a high initial level of indebtedness should undercut this target.

The minister said the 3 per cent deficit ceiling, which is one of the Maastricht treaty criteria for joining Emu, should not be exceeded by countries even in times of economic difficulty.

Countries would only be exempted from these rules "in extremely exceptional cases" such as natural catastropbes, and theo only with the agreemeot of other Emu members. Couotrles joining Emu should also accept more precise and detailed sanctions than those at present in the Maastricht treaty to deter excessive deficits.

Mr Walgel said the pact would reassure financial mar-kets and add to the solidity and credibility of Emu. His proposals emerged yesterday during the first of four days of debate in the Bundestag over the 1996 federal budget.

additional measures to secure budget discipline in the third finance minister, yesterday and final stage of Emu two said the countries that eventumonths ago but disclosed few details at the time because the issue was a matter for negotiation among European Union member states.

He broke his silence yesterday in response to growing reservations about Emu in the

treaty, pointing ont that they had failed to register their opposition when the treaty was ratified in both houses of the German parliament in

Referring to the SPD chancellors of the 1970s, ha said the party was "no longer the SPD of those great Europeans, Willy Brandt and Helmut Schmidt".

In the debate, Mr Waigel called on the German federal states to forge a "national stability pact" with the Bonn government to guarantee that Germany would meet the Maastricht criteria.

The federal government deficit is due to rise next year to DM60bn (\$43.1bn) from around DM49bn this year, but Mr Waigel said Germany would still meet the Maastricht criteria on t has been a long time com-ing and the result is not all it might have been. But the World has been watching to see

agreement reached yesterday by the German governing coalition on shopping hours shows that politicians, headed by Chancellor Helmut Kohl, knew much of the world was watching progress on the issue. It was seen as a sign of how far current rhetoric on the need for economic flexibility, competitiveness and risk-taking would be translated into

Opinion polls show more and opposition Social Democratic: more Germans want the freedom to shop longer. Many have The SPD plans to debate pro-posals of their own for a future visited the US and other coun-tries where restrictions bardly posals of their own for a future
European stability pact at the
party's annual congress in expressed yesterday by a telemannheim next week.

Mr Waigel also launched a plained she had to rush to the
bitter attack on SPD politicians shops just before 6.30 at the
who have recently criticised end of a busy day.

Under the new agreement,

shops will be allowed to stay open until 8pm on weekdays and 4pm on Saturdays (although states will be able to change Saturday closures by two bours either way). At present, they must close at 6.30pm on weekdays (with longer Thursday opening ontil 8.30pm) and 2pm on Saturdays (with longer opening oo the first Saturday of each month). While yesterday's decisinn, expected to become law in the second half of next year, is an advance for consumers, it falls some way short of what the Ifo economic research institute recommended to the government, which had appointed it to study the issue. If o wanted shops to be able to stay open until lopm on weekdays and 6pm on Saturdays. (Sunday opening has not been under

words put into action, writes Andrew Fisher

would be to add 2 to 3 per cent, or DM20bn (\$14bn), to total retail turnover over two to three years. This would create an extra 50,000 jobs, many of which would be part-time; the equivalent in full-time jobs would be around 30,000, or 1 per cent of the 3m now employed in the sector.

Yesterday, Mr Uwe Tager, a retal geonomist at Ifo well-difficulties agreement, calling if a "regulated liberalisation" which would help go ahead retailers and strengthen competition. He was surprised the coalition had acted so quickly after lfo's report in August and expected further relaxation in coming years after the latest breakthrough.

be retail industry has operated under the Ladenschlussgesetz (shop closing hours law) since 1956. Many big and small retailers will be sorry to see it go. Some. fear more relaxed hours will mean more work, costs and competition. Many local retailers dislike the thought of all three, although Ifo says innovative small businesses, such as convenience shops, stand to

Big inner-city stores, such as those of Karstadt and Kaufhof, should also gain, though not all of their more outlying branches will profit. Having previously rejected any change

in the law, denartment store groups have come round to the idea. Even so, Ifo noted that supporters of longer hours had been less willing to state their views than their opponents.

Since legal closing bours are written into pay contracts, which run until the end of 1996, the unions can still wield plenty of influence. Also, shop assistants are paid 55 per cent more for the two extra Thursday hours. Retailers will fight hard not to have to extend this throughout the week.

Union resistance to any change was made clear yesterday when the retail, banking and insurance union (HBV) condemned the coalition deal as anti-employee and anti-Mittelstand (small-sand mediumsized business). So did the largest retail association (HDE), which said most consumers would not benefit either. The HBV plans to mobilise its members to fight any change.

This could delay implementation of the new hours, even when the law changes. Until unions and employers agree a new ooe, the present pay con-tract will stay in effect. Thus Mr Joachim Bernsdorff, retail analyst at Sal. Oppenheim, the German private bank, does not expect longer hours to become common until 1997. He also thinks the change does not go far enough. "Small, innovative outlets would bave benefited from being allowed to open until 10pm. This would have been their big chance."

Mr Tager, however, expected dynamic smaller retailers to try to push for even longer opening hours, now Germany had started down the liberalisation road. "Entrepreneurs can show their strength.

Nuclear plant to be leisure park

When Chancellor Helmut Kohl made a speecb in late 1993 extolling the virtues of Ger-many as a Standort, or indus-

trial location, be warned that unless the Germans adopted more flexible working bours and stopped demanding more free time, the country would become a giant leisure park.

nuclear reactor plant.

During the next five years the plant at Kalkar, a small town near the Dutch border and flanked by the River Rhine in the state of North Rbine-Westphalia, will undergo an axtraordinary

botel rooms. Land once laced with electricity wires and playgrounds. Storage sbeds and administrative offices will

plant agreed in 1973 in a rare gesture of consensus by the political parties and trade unions.RWE, Germany's largest utility group, was responsible for the plant along with SBK, its subsidiary.

Financing and construction costs amounted to DM8bn (\$5.7bn) : the state and federal government put up DM4bn of taxpayers' money; the Belgian and Dutch governments as potential users each contributed DM1bn; the electricity companies DM1.6bn; and those producing the energy paid only DM400m.

nuclear as wall. The future of Kalkar was

tests. But we never did commission it. You can say the taxpayers' money

has gone down the drain

responsibility for its future. The plant, built at vast public expense, was never commis-"We did some tests. But we never commissioned lt," said Mr Werner Koop, a SBK board member. "The time spent waiting for someone to make a

Saddled with a redundant

Mr Henny van der Most, the 45-year-old Dutchman whose bobby and business is giving life to obsolescent textile and steel factories by turning the grounds into entertainment or leisure parks, hopes to start work on Kalkar early next year.

declined to give the purchase price. But when asked why Mr van der Most had bought the site, she replied: "He believes there is life after death for these old enterprises. He loves

Mr Koop is more than relieved.

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Alas, little did Mr Kohl realise that almost two years since delivering that speech, a big leisure park is to be built on the site of a fast-breeder

discussion.) It said the result

metamorphosis.
Bulldings which once boused sophisticated scientific equipment will be turned into pipes will become children's be turned into sports facilities. It is a bizarre fate for a

As construction proceeded.

the razzmatazz soon wore off. Public opinion started moving against nuclear power, especially after the Chernobyl accideat in 1986, while the govern-ment of North Rhine-Westphalia became anti-

'We did some

sed from local, to state, to federal level and back again. No one was prepared to take

decision about its future cost a lot of money. In fact, you can say more than DM7bn of taxpayers' money has gone down the drain." the local authorities at Kalker and RWE earlier this year advertised the sale of the plant in local and foreign newspapers.
"Wa wanted someona to

come up with a viable plan. There were 70 replies. The Dutchman had the best plan," said Mr Koop.

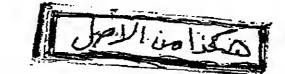
"He will invest DM40m and employ between three and four

bundred people over the next few years," said Ms Claudia Wehnes, spokeswoman for Mr van der Most. Like SBK, Ms Wehnes

creating leisure parks."

"An acceptable solution has been found for Kalkar. After all, people have much more free time now. They are only working about four days a

Mugai pledge 17 m 1 25 e 1 2000 to 1200 T Comp Sec. 5



French cabinet gets back on to Balladur track

By David Buchan in Paris

Yesterday's surprise government reshuffle completes President Jacques Chirac's return to the policies of Mr Edouard Balladur, the former prime minister and his rival for the presidency.

First came Mr Chirac's public conversion to "Balladurism" when, in an October 26 television interview, he adopted as his top priority the reduction of France's public deficits espoused by his erst-while Gaullist rival. Less than two weeks later, he has let his prime minister. Mr Alain Juppé, cement the change by bringing several middle-rank. ing Balladurians into a government with far fewer ministers whose junior ranks are pruned of dead wood.

The reshuffle is designed, say Mr Juppé's officials, to make the government "more operational and more representative of its parllamentary majority". It is widely accepted that Mr Juppe, whose popularity has fallen at record speed over his six months in office, needs to give his government fresh sparkle if he is to carry through the difficult deficitcutting necessary to ready France for EU monetary union.

But it is also Mr Juppé's admission that the pool of talent in his centre-right majority is not so large that he could afford any longer to do without some of the experienced ministers who made the mistake of backing the wrong Gaullist horse last spring.

While the main political aim of the reshuffle is to heal the breach with the Balladur camp Reshuffle deals tough hand to Barrot

The reshuffle has dealt one of the more important and toughest hands to Mr Jacques Barrot, the labour minister, whose portfolio has expanded to cover bealth and pensions in a broad ministry for social affairs, write John Ridding and Andrew Jack in Paris.

Planned measures to cut the deficit-ridden social security system are at the heart of the country's attempt to restore its public finances and qualify for European monetary union. But reforms to be announced. next week in the National Assembly have already ron into union opposition. Mr Barrot's new mission

was predictable. He has played an increasingly prominent role in France's welfare debate, revealing himself as an advocate of reform and a strong supporter of Mr Alain Juppe's goal to eliminate the FFr60bn (£7.8bn) deficit by

and to make common cause the social security reforms due against France's deficits, its to be presented to parliament key structural features are to next week. Mr Lamassoure's elevate the labour minister, Mr previous budget experience is Jacques Barrot, to head a new super-ministry of social affairs, chiefly limited to being the European Parliament's budget rapporteur in 1991 and president of that body's committee

1997. His previous experience will help. A member of the UDF, centre-right junior and integration.
For many of the cabinet partner in the conservative heavyweights the upheaval

coalition, the 58-year-old Mr Barrot was health and social wrought no change. The finance, foreign affairs, security minister between 1979 defence, justice and interior and 1981. As president of the ministries all remained in the National Assembly's finance same hands. Mr Jean-Louis committee after 1993, he is Debré, who had been regarded as vulnerable at the interior also familiar with the parliamentary tossles which ministry, has buttressed his position over recent weeks as a result of breakthroughs in Mr Dominique Perben,

in 1992-93. But he subsequently

forged an excellent working

relationship with Mr Juppe at

the foreign ministry, and now

as junior minister under Mr. Jean Arthuis (who stays as

finance minister) is a man who

will need no reminding of the

former overseas territories minister, takes over the the battle against terrorism. There were, however, delicate civil service dossier several significant shifts. At from Mr Jean Pnech, who had industry, Mr Yves Galland struggled in the face of restive makes way for Mr Franck public sector workers --Borotra, a Genillist deputy protesting against a pay freeze. Mr Alain Lamassoure, thought close to Mr Philippe Séguin, the National Assemb ex-minister for European president and an advocate of nationalist economic policies. Mr Borotra will also cover affairs, takes over the budget portfolio from Mr François d'Aubert, while Mr Jean-Claude Gandin, the telecommunications, one of the most delicate dosslers given union opposition to mayor of Marseilles takes over

he sheed

territorial development, towns reform of the company's

Mr Galland becomes junior finance minister, with responsibility for foreign trade. Mr François Fillon, tha minister for information technology who has been criticised for his handling of reforms and management changes at France Télécom. becomes fundor minister for post, telecoms and space.

Mrs Elizabeth Hubert lost her position as health minister, reflecting the reorganisation of the social security portfolio and criticism of her handling of sensitive reforms. Mrs Colette Codaccioni, minister for the curiously named "solidarity between generations" also lost her post in the upheaval. She was one of several other women minister, dubbed the Jumpettes, to lose ber post.

importance of France conforming to its Masstricht budget

Mr Juppé's aides said yesterday that it was also felt impor-tant to end the speculation about possible reshuffles that started last month when the

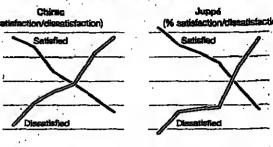
to be in danger of losing his job over his own peculiar housing arrangements. In fact, howing arrangements. In fact, how-ever, Mr Chirac was never likely to drop so early on a prime minister who succeeded him as head of the RPR Gaullist party on October 15. The president seemed to quell rumours of a ministerial reshuffle on October 26 when he declared any such changes

as premature. Ironically, it was the success of that television interview, and the favourable reaction it received from the all quarters the Bank of France, Mr Balladur himself and the financial markets - which appears to have persuaded the president to give in to Mr Juppe's pleading for personnel changes to reinforce the policy shift.

The main architecture of the old government survives in the new. This is because, despite Mr Juppé's desire to shape his new government more to his own liking, he could not ignore the president's insistence on keeping the basic balance of the coalition that won him the -presidency. Thus, Mr Hervê de Charette and Mr Charles Millon stay on as, respectively, foreign and defence ministers, less because of their performance in those roles and more because of their closeness to Mr Valery Giscard d'Estaing.

UDF leader and an election

How the electorate's mood has changed



May Jun Jul Aug Sep Oct Source: YFDP, JDD

ally against Mr Balladur. Likewise, Mr Francois Fil-lon's mishandling of France

Télécom liberalisation has

earned him demotion to being

munications but he survives

because he is an ally of Mr Philippe Séguin, the pro-Chirac

national assembly president.

Mr Jean-Louis Debré and Mr

Bernard Pons, stay on as inte-

rior and transport ministers.

respectively, simply because

But Mr Juppé has now got most of the "tighter" team he

wanted and which he was ini-

tially denied last May by the

president's desire to create as

many jobs as possible for his supporters. This "Juppe Two"

team will have to go straight

into action, taking up where

they are Chirac stalwarts.

a junior minister for telecom-

the old government left off in mid-parliamentary debate this week on the 1996 bodget and

presenting its welfare reforms to the assembly next week. The prime minister has now put several ex-Balladurians in the front line: Mr Lamassoure at budget, and Mr Dominique Perben, who as civil service minister will have to redress the Balladur government's one notable laxity in letting public sector pay rise in 1993-95. It may be a clever ploy, but it

cannot be repeated.

For, the usual way French presidents change their governments is to change the person at the top. Out of loyalty to his long-time lieutenant, Mr Chirac has given Mr Juppé a second, but probably last,

and to bring in Mr Alain Lamassoure, the former Balla dur minister for European affairs, to be budget minister and government spokesman. Mr Barrot, a centrist member of the UDF centre right federation, has greatly impressed the

Showdown at Air France over recovery plan

By John Ridding in Paris

Management and cabin staff unions at Air France are bracing for a showdown over the next few days in an industrial dispute which threatens recovery efforts at the state-owned

esses at the loss-making carrier have called a three-day strike, starting tomorrow, to protest against cost-cutting and productivity plans proposed by the chalrman, Mr Christian

1 -----

Mr Blanc, seeking to achieve a 30 per cent productivity increase between last year and 1997, is proposing voluntary redundancies for existing cabin staff and the reduction of salaries for new hirings. He is threatening to modify the contracts of cabin staff and possibly reduce their pay should they participate in big numbers in the industrial action.

Unions have rejected Mr Blanc's threat to change their contracts and confirmed they would press ahead with the strike "He is raising the stakes in a dangerous fashion," said Jean-Paul Meheust, head of the

SNPNC union. Air France says the planned strike, the eighth by cabin staff in a year, would be particucides with the launch of improved services at the airline and in the middle of its rescue plan.

The plan, which was launched last year, followed a bitter strike in autumn 1993, a climbdown by the previous government and the resignation of the former chairman, Mr Bernard Attali. It is aimed The two main unions repre- at returning the carrier to FFr10bn (£1:3bn) since 1993 and includes a FF120bn capital injection from the state.

The risks involved in the dispute have increased as a result of emerging labour discontent at Air Inter, the domestic carrier which is part of the Air France group. Mr Blanc is planning to combine Air Inter with the European operations of Air France to respond to the liberalisation of air travel in the European Union 1997.

Cabin crew at Air Inter are planning to strike alongside their Air France colleagues, while the USPNT union, which ents pilots and mechanics at Air Inter, is threatening action in sympathy with the cabin staff unions.

Despite the current disputes, labour relations at Air France have improved since Mr Blanc launched his recovery plan with a referendum of the airline's workforce. However, strains have grown steadily between management and cabin staff as productivity efforts have fallen short of

MORE FLIGHTS TO MORE CITIES IN ASIA.



Portugal pledge on site for dam

By Peter Wise in Lisbon

Portugal'a new prime minister, said yesterday his government would seek an alternative site for an Es52bn (\$222m) hydroelectric dam whose construction is threatening hundreds of rare prehistoric rock carvings.

The pledge by Mr Antônio Guterres was intended to quell a growing international controversy, it was among the social and environmental concerns given prominence as Mr Guterres opened a parliamentary debate on a government programme aimed at "tempering unavoidable economic rig-our with a well-developed social conscience".

The Socialist government, which fell four seats short of an absolute majority in October's general election, could technically be defeated if all three opposition parties voted against the programme. But Communist and right-wing opposition parties are unlikely to unite to provoke a crisis so early in the new government's

Mr Guterres proposed spend-ing the equivalent of 0.3 per cent of gross domestic product on introducing a minimum guaranteed income to protect poor families. He said spending

concern of the new governent - would be increased by 1 per cent of gross domestic product by the end of the

Socialists' four-year term.
The premier reiterated his promise not to raise taxes. But he said the government had uncovered "hidden deficits" that would make meeting bud-get deficit criteria for European economic and monetary union harder to achieve. Tha health ministry alone owed more than Es150bn, he said. and public sector companies including the national airline and the national railway opera-tor, were highly indebted. Voters would be consulted

through referendums on important issues concerning the further EU integration. according to the government Mr Gnterres said the dam at

Foz Coa in northeastern Portugal, whose construction was begun this year by a French, Spanish and Portuguese consortium, would be abandoned altogether if this was justifled by studies into the cultural value of the carvings. Otherwise, the project would be scaled down and an alternative We fly 42 times weekly from Europe to Singapore Changi, the world's best airport, connecting with over

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service even other airlines talk about.

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Bank of Japan loan rescue cash missing

By Emiko Terazono in Tnkyo

Japanese financial regulators' credibility has been dealt another blow with the embarrassing disclosure of a missing Y100m (\$965,000) in the Bank of Japan's special loans to Kizu Shinyo Kumai, the Osakabased credit union which collapsed at the end of August with irrecoverable loans of

Following a run on the credit union, stacks of hank notes were delivered to Kizu on August 30 and 31 to satisfy depositors seeking to withdraw tbeir funds. But of a total of Y359bn extended to Kizu by the central bank through the National Federation of Credit Co-operatives, Y100m has been

reported missing. Kizu officials said they had found Y100m missing on September 1 after checking a safe in Kizu's head office building in Osaka. The Osaka prefectural police are expected to start investigations for theft or

Central bankers say that, once out of their hands, the special loans are no longer their responsibility and Kizu must bear ultimate responsibility. "We were tracing the fund flows but we can't go and check every transaction," the bank's spokesman said.

The bank said it had been ssured staff would be sent to Kizu following the run, to pre-vent criminal acts, "We were told employees of the Osaka government and the credit cooperative federation and the police were heing sent to Kizu's branches.'

Financial analysts are critical of the bank for passing the blame for the disappearance of the money to Kizu. While the BOJ has been ordering private

management systems, it is likely its own procedures when

providing funds to collapsing

financial institutions will need

to be reviewed. For more than

two months to have elapsed

hefore the incident became

public has also prompted criti-

Mr David Marshall, director

at IBCA, the European credit

rating agency, said the case

could further burt confidence in Japanese financial regula-

tors and the financial system.

"It's the Bank of Japan's joh to

protect the image of the Japa-nese financial system, but this does not help at all."

recent in a spate of events which have damaged the credi

'It's the Bank of

protect the image

of the Japanese

financial system,

help at all'

but this does not

bility of Japanese financial reg-

ulators, with the recent Daiwa

Bank scandal the most serious.

The ministry of finance this

week admitted its responsibil-

ity in the Daiwa case while the

BOJ kept its bead low by

announcing It would increase

Meanwhile, disclosures of

the alleged involvement of

finance ministry officials in a

financial scandal earlier this

year have further damaged the

ministry. Politicians have demanded the ministry be bro-

ken up into smaller agencies, a

move which could have a nega-

tive impact on the entire Japa-

inspections of Daiwa.

Japan's job to

The incident is the most

cism of the bank.

Chinese leaders keen to teach lesson of consumer rights

Shoppers are perfecting art of complaining, says Richard Tomlinson

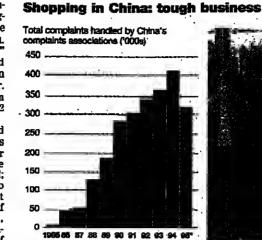
bopping in China is dan-gerous, according to fig-ures issued by the national consumer association. Substandard commodities" killed three consumers and injured a further 208 between July and September this year. Exploding beer bottles were a particular problem, with 172 casualties registered. Until a decade ago, few dared

complain about shoddy goods and services in China, for fear of heing persecuted. These days the situation is reversed; stand up for their rights. At hranches throughout China of the Consumer Association, 112,234 complaints were handled in the third quarter of 1995, a 5 per cent increase on For China's rulers, the birth

of a consumer movement is politically and economically expedient. The leadership wants to be seen as being on the side of the consumer at a time when the party's image has been tarnished by corruption scandals. Consumerism is also a convenient tool to make Chinese goods and services interoationally competitive. One sign of the change in official thinking was a direc-tive in August listing 50 taboo expressions for China's surly shop assistants. Familiar banned phrases include: "Ask someone else". "It's none of my husiness", and "Hurry up and

A more concrete benefit for the public bas been the emergence in the past decade of thousands of officially sponsored consumer associations. At the apex of the network is the national China Consumer's Association (CCA), founded in 1984, which operates from the State Administration of Industry and Commerce. Beneath the CCA umbrella there are about 2,800 local associations, with new branches being established every month. "It's taken a long time to raise consumer awareness in

China," said Ms Yang Ke, dep-uty director of the CCA.



"Before our association was created, most Chinese simply saw themselves as customers. They had no concept of being a consumer with rights. So we made propaganda to introduce

Today, the consumer move ment has its own house jour-nal, the China Consumer Newspaper, published four times a week with a circulation of 250,000. Recent features include the tale of a farmer from Sichuan province sentenced to deathfor selling liquor made with methyl alcohol, and the Yangming Bean Milk Factory in Jiangsu prov-ince, fined Yn30,000 (\$3,610) for accidentally poisoning 1,300 primary schoolchildren.

On television, viewers can tune in to CCA-sponsored programmes such as Consumers' Friend, and Knowledge of Consuming. On International Consumers' Day in March, the CCA and China Central Televialon host a consumer rights gala evening. This year, it was the turn of a joint venture company making lethal fertiliser (fined and closed down) and yet another manufacturer of exploding beer bottles (one blinded, several person injured) to be exposed on

mittee of the National People's sumer awareness, Ms Yang Congress adopted a law "on points to the number of complaints to the CCA and local the protection of consumer rights and interests", which came into force at the beginaffiliates since 1984. Between 1985 and 1994, 1.69m com-plaints were bandled, and the CCA was able to win more than Yn666m for disgruntled customers. In its latest report, the CCA claimed Yn122.98m had already been "recovered"

in compensation during the first nine months of 1995. The annual number of complaints has also risen dramatically: in 1985, barely 8,000 were received, compared with 411,700 last year. "During the 1980s, more than three-quarters of the complaints were about fridges, televisions and other domestic appliances," said Ms Yang. "Now, people seem to be more

dissatisfied with service industries, like delays in telephone installation, plumbing problems, or insurance rip-offs." Chinese consumers, more discriminating than a decade ago, are also complaining about imported and joint venture products. Japanese televisions, once a model of reliabil-

ity, are a recent grievance. Until recently, the main problem was the lack of any comprehensive consumer rights law. In October 1993, however, the Standing Com-

ring of 1994.

The hill is long on phrases about bow "business dealers must adhere to the principles of fair dealing, honesty and credibility", but short on what happens when these principles are breached. Yet in Beijing's larger shops the message that customers have rights appears

to be slowly registering.

The real test for China's consumer movement, however, is not the number of complaints, hnt whether tha quality of goods and services is improving. One 30-year-old housewife cited Chinese shoes - once notorious for their poor quality as an example of higher standards. "Nowadays, our shoes are really quite good," she said. Tve given np buying imports, because they're far too expensive, and not worth the price."

But in most areas, there is room for improvement including the service provided by consumer groups. The Financial Times made five attempts to telephone the Beijing Consumers' Association

ASIA-PACIFIC NEWS DIGEST

N Korea near to nuclear deal

North Korea has indicated it is close to signing a contract fo two light-water nuclear reactors to be provided by a US-led international consortium. The contract would mark a significant step in resolving the North Korean nuclear issue that caused tensions on the Korean peninsula last year. Last October, the US promised to supply the new reactors. which produce little weapons-grade plutonium, in return for which produce little weapons grade plutonium, in return for North Korea abandoning its suspected nuclear weapons programme. The signing of a reactor contract has been delayed by North Korean demands that the project's co-ordinator, the Korean Peninsula Energy Development Organisation (Kedo), should supply related facilities, valued at \$500m-\$1bn, in addition to the \$4bn reactors.

North Korea said differences over the issue had parroused

North Korea said differences over the issue had narrowed, with the contract's drafting having reached its final stage. Joong-ang Ilbo, a South Korean newspaper, reported that Kedo had agreed to huild a port and an access road to the plants, to be huilt at the remote aite of Sinpo on the east coast. But Kedo rejected demands it should also construct power transmission and distribution lines for the plants.

John Burton, Seoul

Samsung aims for Texas plant

Samsung Electronics yesterday requested approval from the Samsung Electronics yesterday requested approval not the South Korean government to build a \$1.3bn (£823m) semiconductor plant in Austin, Texas. It was the first application for a big foreign investment project since the Korean government last month imposed limits on corporate expansion. The government wants to slow foreign investments and prevent a "hollowing-out" of Korea's industrial base by realized such months in the property of the prop making such projects more expensive. It requires companies to finance at least 20 per cent of foreign investments from domestic sources. Interest rates in Korea are much higher than abroad. Samsung plans to finance 30 per cent of the plant's cost with its own funds, while the rest will be supported by bank loans in the US. John Burt John Burton, Seoul

Jaffna administrator sacked

The Sri Lankan government yesterday dismissed its administrator for the Jaffna peninsula, for giving "misleading reports of the situation in the north. The dismissal of Mr K. Pomambalam, government agent for Jaffna, who has been in Colombo for the past three weeks, was announced in parliament by Mr C. Gooneratne, industries minister.

No further details were given as to why Mr Ponnambalam was fired. However, ha has suggested the civilian toll from fighting in the north is higher than government estimates, and his estimate of the number displaced in the north - at least 300,000-400,000 - is much higher than the government's figure of 100,000. Aid agencies also dispute the latter figure. The sacking is the latest move by the government to control

information about the position in the north. Local press reports are censored and all journalists banned from the war Mark Nicholson, Colombo

US sailor admits Okinawa rape

A-US sailor yesterday admitted raping a Japanese schoolgirl in Japan's southern island of Okinawa, an event which triggered the biggest upsurge of anti-US feeling in the country for more than 30 years. Two other defendants, both marines, denied rape but admitted, in a district court on the island, to conspiring with Seaman Marcus Gill to abduct and rape the girl on September 4. The government has been struggling to defuse tensions, with some success as shown by yesterday's unanimous agreement by parliament's lower bouse to increase by Y3bn (\$39m) Japan's Y620bn annual contribution to the

costs of keeping US troops in Japan. William Dankins, Tokyo Party brought into loans row



Japan's opposition New Frontier party was exposed to embarrassment yesterday when relatives of a former senior member were arrested on suspicion of breach of trust and embezzlement. The brother and sister of Mr Toshio Yamaguchi (pictured left), a former labour minister, were arrested on charges related to the trial of Mr Harunori Takahashi, one of the best-known property developers of Japan's late 1980s economic boom. Mr Takahashi has admitted arranging illegal loans by two credit unions under his control, but denies intentionally breaking the law. Mr

Yamaguchi resigned from the NFP last March when it emerged his relatives might have received illicit loans. He said their arrests were regrettable and he would follow the investigations carefully.

UN accuses Burma over forced | Formosa Plastics chief labour ahead of 'tourism year' suspended over affair

By Ted Bardacke in Bangkok

Burma's military junta is using forced labour to upgrade infrastructure and restore landmarks ahead of the country's "Visit Mynamar Year" tourist promotion, the UN said in a human rights report published yesterday.

Mr Yozo Yokata, special UN buman rights investigator, said the workers were unpaid and had been forced to work on the country's railways, roads and airports, and tourist sites such as Mandalay Palace. Workers had to pay to rent hulldozers, buy their own toois and supply their own food.

The Burmese government denies the allegations, saying labour "donations" were a tradition in the country, especially in the huilding of pagodas, monasteries, roads and hridges. People take part "enthusiastically and

conscientiously" in the projects, the government said. Burma, in dire need of foreign

exchange, hopes to attract 500,000 for-eign tourists in 12 months beginning October 1996 as part of the "Visit Mynamar" promotion. About 100,000 tourists are expected this year, bringing some \$50m (£31.6m) in hard cur-

worth \$550m has been approved in the tourism sector, making it the secondbiggest area of foreign investment after oil and gas.

Many botels in Burma are still

unfinished and it is bard to find lodgings outside Rangoon. Mandalay and Pagan. The government lacks a sub-stantial tourism promotion hudget. Mr Armin Schoch, managing director of the Rangoon-based tour company

THE FUTURE OF BUSINESS

LIES IN A COMMUNICATIONS

SUPER HIGHWAY

Insight Mynamar, says it is optimistic to expect 250,000 tourists to visit dur-

ing the promotional year. In the UN annual report on human rights in Burma, Mr Yokata said many political prisoners remained in jail despite last July's release of Aung San Suu Kyi, Nobel peace prize winner and democracy activist. The release had won the military government praise but had yet to lead to a To prepare for this, investment meaningful political dialogue on return to civilian rule. But fewer people were being jailed for anti-government activities.

The report listed stories of abuses by the Burmese military, including forced portering and systematic rape. The government denied these charges, saying it could not act unless victims made the allegations to law authorities inside Burma.

By Laura Tyson in Taipei

The heir apparent to the Formosa Plastics group, Taiwan's largest pri-vate industrial conglumerate, has been suspended from his position at the helm of the group's flagship company for one year fullowing disclosure of an extra-marital affair.

Winston Wang, 44, the eldest son of clan patriarch and group chairman Mr Wang Yung-ching, is still expected eventually to take over the family businesses but is likely to stay overseas, probably in the US, for a time before returning to the group's flag-ship, Nan Ya Plastics, the country's st industrial company.

It is thought that the elder Mr Wang, 79, who bimself has three wives, was displeased over the swiri

rounding his son's affair since It broke two mnnths ago. The sbare prices of the group's listed companies have fallen in recent weeks.

A statement by Nan Ya yesterday

said the younger Mr Wang had been disciplined because be "failed to manage the case properly and caused troubles for Formosa Plastics".

Mr Wang met Ms Ln An-ni, 26, a graduate student at Taiwan University, where he teaches part-time. He

was ber thesis adviser. Ms Ln has spoken extensively to the media bnt he confirmed the matter publicly only two days ago, apologising in an article carried in a local newspaper. Formosa Plastics' four listed companies have sales of \$60n and a mar-ket capitalisation of \$10.50n. It is the world's largest PVC manufacturer and is diversifying into electronics.

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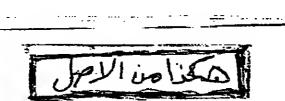
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BRIGHT FUTURE

0121-511 2000

Ford-Volkswagen joint venture: by David White

\$2.6bn investment in AutoEuropa

The joint venture is Portugal's biggest foreign investment and its largest manufacturing project

What does someone do with a pair of skis on a dusty plain south-east of Lisbon? Ford and Volkswagen have found a use for them at the training centre which is part of their new joint factory complex at Palmela. Groups of three or four young recruits are told to stand on skis and manoeuvre in unison as part of their coaching in the latest teamwork concepts.

Trainees move purposefully about the hullding in metallic grey jumpsuits. Snatches nf English or German can be heard in the corridors. In both its culture and its dimensions, the plant seems like a settlement from outer space.

The two companies' AutoEuropa venture, inaugurated seven months ago, is Portugal'e biggest foreign investnent – totalling some \$2.6bn – and the largest manufacturing project ever undertaken in the country. The workforce at the plant itself already numbers just over 3,000, and a further 1,500 jobs have been created at the adjacent business park which provides parts for the factory. Guarded like e military installation, the factory has its own 24-hour fire brigade, fully-equipped medical centre, bank and travel agency.

Exports

At full production, the plant is expected to add as much as 15 per cent to the value of Portugal's total exports, and 6-7 per cent to its import bill. About 5,500 indirect jobs have been created ecross the country in addition to the direct employment at Palmela. Because of its importance to the national ecnnomy, Mr Ralph Rosignolo, the venture's American executive director, says it gets "an awful iot of atteotion from government". The trumpeted arrival of



Raiph Rosignolo: 'we have a very

Ford and VW, which chose Portugal to make their new multi-purpose vehicle, contrasts with the misfortunes of the nearby Renault plant at Setubal, which the French parent company wants to close.

Renault's experience, dating back to 1980, has turned distinctly sour. The Renault plant was set up in a joint venture with the Portuguese state, which has a 30 per ceot stake in the local subsidiary. It now assembles Clin cars, which the groop makes at four nther. larger plants in Europe. Renault says the market in southern Europe is not strong ennugh to justify continuing production arrangement; the Portuguese government has responded by threatening tn sue the French group to and financial incentives it have received.

Mr Rosignolo is sheepish when asked about Renault and about what kind of pledges the Portuguese authorities sought in order to prevent anything similar befalling the Palmela project. But there is a clear difference in the thinking behind the new venture. Unlike Rensult's, there is a single production centre for the new model, nn a moch larger scale; employing more than three times as many people and designed to produce up to 180,000 vehicles a year.

The new vehicle is geared to the market in the rest of Europe rather than to local customers. It is not being launched in the Portuguese market until next month. So far, therefore, 100 per cent of production is for export.

AutoEuropa executives say proudly that it is the first time a Portuguese plant can claim to be actually making a car, with 46 per cent of the content in terms of value produced locally.

The project was born four years ago. The idea of joining forces to make a "people carrier" — minivan to Americans — followed the example of Fiat and the PSA Peugeot Citroën group. The 50-50 Ford/VW alliance was based on collaboration between the two companies in Brazil and Argentina —



although by the time the Portuguese plant was ready they had decided to break up their Antolatina operation and go their own ways in South America. Mr Rosignolo says the companies opted for Portugal because of its stable political scene, the availability of a young workforce, the presence of an existing motor components sector and the offer of fiscal benefits to offset the cost of transporting cars to northern Europe from the far south-west of the continent. The vehicles almost all go by

ship from the port of Setübal.

Tasks were split between the two companies, with VW in Germany doing most of the development work on the new model and Ford taking the main role in planning factory facilities and purchasing. Mr Rosignolo comes from the Ford capital.

Government and EU funds

contributed a third of the Re395hn invested in the venture, a figure which includes Es257bm for the factory itself, Es96bn for developing the vehicle and Es42bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far afield as Mexico and Sweden In total the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr

AutoEuropa is a productiononly company, making cars for
the two parent groups' distrihitinn networks. The new
vehicle is produced in equal
numbers as the Ford Galaxy
and the VW Sharan. The two
marques are distinguished by
different grilles, bonnet shape,
lights and interior fittings,
each vehicle identified as one
or the other from the moment
it begins production. Next year
an additional Seat Alhambra
version is planned for VW's
Spanish subsidiary, the first
Seat car to be made outside

Suppliers

The plant does stamping, body construction, painting, trim and final assembly. Components, including VW and Ford engines, come from 17 European countries. But 10 of the most important local suppliers have set up facilities in the Palmela industrial park, supplying euch items as exhaust systems, bumpers,

door panels and axles.

This, Mr Rosignolo says, has enabled AutoEuropa to implement not only a "just-in-time" component delivery system to limit inventories, but also a more novel system of just-in-time manufacturing, with local suppliers receiving information from trans-ponders on each vehicle as it passes along the assembly line.

The plant's design, he says, drew on the best examples from both groups, and is aimed at minimum use of space. material and time. Instead of having everything under one roof, trim and final assembly is carried out in a separate, connected building to allow conponents to be unloaded as close as possible to the point of

The combination of a new greenfield plant, a new vehicle and new logistics and communication systems led to some initial difficulties and a slowerthan expected build-up of production. Mr Rosignolo admits that the company missed its initial targets "by a couple of months," but says it set itself "a vary aggressive pro-gramme". Output is due to reach 464 vehicles a day by the middle of this month. Most of the plant is now working on two shifts a day. Reaching the full planned production would require a third shift, and probably an extra 1,500 jobs at AutoEuropa and its auxiliary companies.

Expectations are based on the success of this kind of vehicle in the US market, where sales have reached 1.5m of the shower trend so far in European sales to the lack of sufficient European manufacturing capacity. "Both the Sharan and the Galaxy are going to make a major impact on the growth of this market." he says, Ford and VW are calculating on a European market of 500,000 by the year 2000, and aim to capture a occa-

"We feel that we are at the right place and the right time," says Mr Rosignolo.

third of that total.

Literacy report: by David White

Controversial conclusions

Low literacy levels, a legacy of the Salazar regime, now pose serious questions

The Portuguese had in wait until after last month's general election to learn the truth about their education system. An in-depth study on literacy levels came to conclusions controversial that its organisers decided to hold back publication for several weeks to avoid giving the impression of interfering in the political cam-

The report raises serious questions about the effectiveness of educational reforms over the last 25 years and the increased funds thet been channelled into the system. The report shows Portugal lagging well behind other European Union or OECD countries. Among its findings is that more than 47 per cent of Portuguese between the ages of 15 and 64 have little or no abiliar

ity to read or dn sums. For the new Socialist government, which made much during its election campaign of the need to improve the school system, the report gives an idea of the scale of the challenge being faced. Indeed, the new education minister, Mr Eduardn Marcal Grilo was the head of the National Education Council responsible for commissioning the report. The report's main author, Ms Ana Benavente, has joined him as state secretary for primary and secondary schools.

Portugal's backwardness in literacy standards is a legacy of the Salazar regime, which for four decades invested little in schools. Some of its backerswere actually proponents of illiteracy, as a guarantee against subversive influences. "I consider more urgent the

creation of clites than the necessity of teaching people how to read," Salazar himself was quoted as saying on one occasion.

In spite of a national campaign for adult education, launched in the 1950s, a quarter of the population was still

illiterate by 1970. Growing prosperity in the 1960s had brought a big rise in the number of school pupils, but not an equivalent increase in the number of schools. There is still a chronic sbortage of buildings. In the cities, children attend achool in three daily shifts. When teachers fail to appear, classes are dis-

Compulsory schooling, set at just four years during the Salazar period, has since been increased to nine years, from age six to 15. But many children leave early, often under family pressure to find work, and Portugal has a relatively low proportion in secondary or higher education.

higher education.

The OECD, in its latest report on Portugal, cites 1991 figures showing less than half of five-to-29-year-olds in full-time education - 47 per cent compered with 57 per cent, for instance, in Greece or Spain.

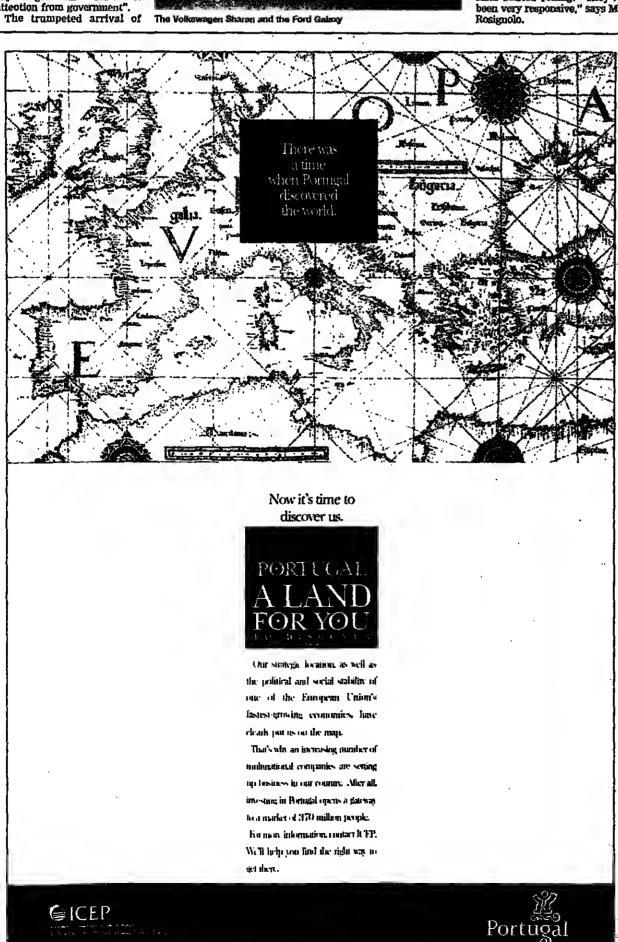
The National Literacy Study was carried out by Lisbon University's Institute of Social Sciences, with backing from the Netional Educatinn Chuncil and the Calouste Gulbenkian Foundation. Fillowing methods used in the US and Canada, it set five levels, employing a series of tests.

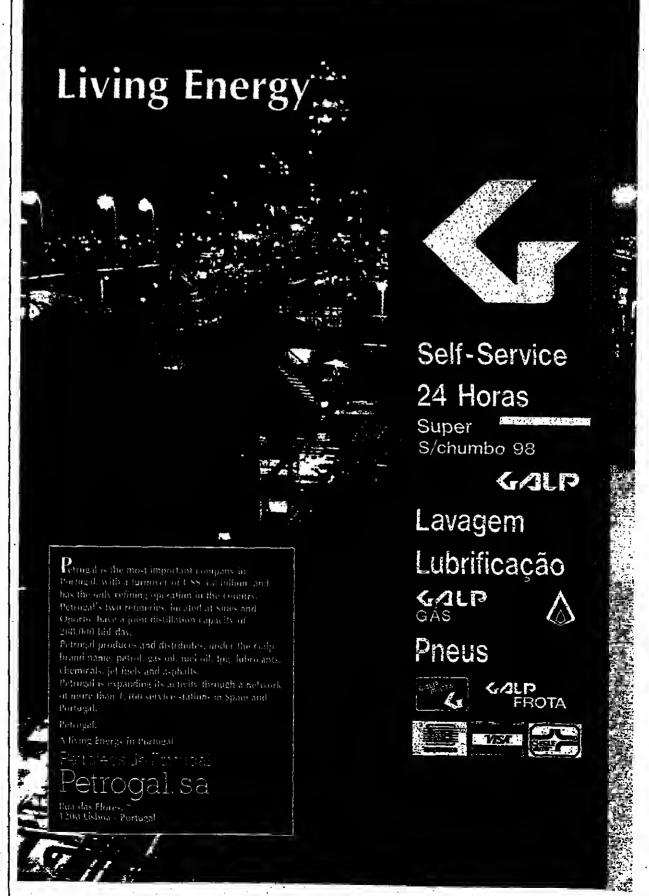
Almost 2500 people in the

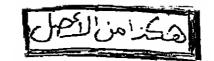
Almost 2,500 people in the 15-64 age bracket were tested. Of these, just over 10 per cent were at level zero – a level not even considered in the US and Canadian studies.

A further 37 per cent were at level 1, and 32 per cent at level 2. The standard for level 3 included, for instance, being able to understand dosage instructions oo a medicine leaflet, and for level 4 working out interest paymeots on a five-year housing loan. Fewer than 21 per cent in total attained these standards, compared to 84 per cent in Canada.

Unesco statistics indicate that the number of illiterate people fell 20 per cent in the 1980s, but at the end of the decade still represented 15 per cent of the population and 185. per cent of the population and 185. This reckoning puts Portugal behind countries such as Paraguay or the Philippines.







UK lowers US trade hopes

Britain will today urge the US and EU to devote their current dialogue on transatlantic trade relations mainly to planning the next phase of global trade

Mr Ian Lang, UK trade and industry secretary, will say in Washington that the US-EU summit in Madrid on December 3 should endorse proposals for a new multilateral agenda. to be put to the ministerial meeting of the World Trada Organisation in Singapore late

Mr Lang conceded before he left London that his speech marked a shift of amphasis from the drive for freer transatlantic trade advocated by Mr Malcolm Rifkind, tha foreign secretary, at last month's Con-

Senior officials from leading European

and American businesses meet in Seville this weekend to debate proposals for

reducing transatlantic trade barriers,

The meeting is expected to give new impetus to efforts to strengthen political and economic ties between the EU and US.

Last month some EU member states

blocked a Commission initiative for a

joint study with the US on the creation of

writes Caroline Southey in Brussels.

The trade and industry secretary was cautious about transatlantic liberalisation, saying progress required unity of purpose in Europe and a favoura-ble US response. "It has to be said that neither of those prerequisites is in place," he said. He also warned that any

effort to lower US-EU trade barriers must not involve any exclusive or discriminatory arrangements which jeopardised the interests of other trading partners. He said the UK had never been committed to creating a transatiantic free trade area,

and insisted that discussions hetween Brussels and Wash-

Meeting expected to seek closer economic ties

Sir Leon Brittan, chief EU trade negoti-ator, said the businessmen would assist efforts to remove remaining trade barri-

ers by "giving content to the political

will" to increase trade and investment.

Proposals from the meeting will be put to the EU-US summit in Madrid.

The agenda includes further liberalisa-

tion of tariffs, public procurement and

trade law; product and performance regu-

a transatlantic free trade area.

ington be set firthly in a multilateral cootext. In his speech, Mr Lang sup-ports US-EU co-operation in

areas such as standards, competition policy and customs procedures. But he says: "More important, in terms of the results ultimately achievable, is the need for the EU and US to work together on the longer-term agenda for global trade liberalisation."

He says the two trading powers should jointly aim to advance the multilateral trade agenda in four main areas: Persuading other countries, notably in the developing world, to open their public procurement markets.

 Developing tighter disciplines on government subsidies to industry, particularly in the state-owned sector. Faster implementation of

tariff cuts agreed in the Uru-

Business ally means business International Chamber of

gin and deregulation.

Mr Lang declined in London

to endorse the recent proposal by Sir Leon Brittan, the Euro-

pean trade commissioner, that

the WTO should commit itself

to negotiating on the environmant, competition policy, investment rules and labour

lation, standards, testing and certifica-

tion; international investment; and co-operation with third countries.

for industry, and the US by Mr Ron

Brown, commerce secretary.

The European companies at the confer-

ence include Stemens, Philips, France Télécom, British Telecom and Volvo. The

US companies include Ford and Xerox.

and Mr Martin Bange

The EU will be represented by Sir Leon

Commerce chief plans to raise the tual property rights. Mr Lang says the US and the EU should also press for fur-ther action in the WTO on body's profile technical barriers, rules of ori-

t might seem ironic coming from the head of an organisation set up by and for However, he chides the US for failing to commit itself private sector companies, but fully to last summer's WTO the president of the Internaaccord on liberalising financial tional Chamber of Commerce services. He is also pessimistic about coming talks on mari-time services, in which US bartalks a great deal about the need for tha chamber to ba more businesslike Almost half-way through his two-year term, Mr Rahmi Koç riers are a big stumbling block.

says the ICC, the Paris-based lobbying and business services body founded in 1919, needs to do more to "face the competition" and to "make money". Mr Koc has clear messag from businesses to governments around the world, but he also is placing emphasis is on internal issues within the organisation, which represe thousands of companies and associations in 139 countries.

He wants to make the ICC "a less bureaucratic organisation" and "a little financially stronfrom its current break-even budget of about FFr60m (\$12.32m) a year. "Wa are not here for philanthropic work. We must use the dues from our national committees

in the most effective way."

He also has another impor-



Rahmi Koc: ICC not a philanthropic body

tant house-keeping activity: raising the profile of the organisation, which is known to governments and those who use its services, but has a more obscure public image.

"Wa don't get enough credit for the work we do," he says, adding that he would like to change the name - perhaps to

the World Business Organiss tion. "Our work is like that of the World Trade Organisation the European Commissioo and tha Unitad Nations put Mnch of ICC's work is

low-profile because it involves lobbying - the results of which are never very clear or public - and technical commissions, whose conclusions tend sometimes to reach only a small circle of experts.

Greater publicity would help to improve the ICC's "understanding and acceptance", argues Mr Koc, as well as permitting the organisation to be more closely associated with some chief executives "who prefer to be associated with high profile organisations".

Behind the scenes, the ICC has made important contributions to smoothing the flows of world commerce. These include rules on documentary credits used by banks for payments in international trade,

regulations for harmonising guarantees on large construction projects, and the ATA Carnets or documents which allow goods to be temporarily imported duty-free.

Perhaps most significantly, the body co-ordinates the work of the International Court of Arbitration - probably the leading body for dispute reso-lution - including such recent cases as the FFr20bn claim of Eurotunnel, operator of the Channel tunnel link, against the British and French railway

More generally, Mr Koc is overseeing a new version of a voluntary code of ethics for business, which the ICC first produced in 1977. It broadens the scope of the guidelines to include judicial affairs, tax negotiations and other activities between governments and business that go beyond the original remit of corruption in "Corruption is a very wide

spread cancer," he says. "It is the result of more production capacity and less demand. We heve to highlight the danger and let the business world know that we don't approve."
The ICC is a strong advocate
for open markets. "Our basic

motto is a liberal economy, while he acknowledges that some countries, including Japan, argue that the pace of change is too quick. He also sees two important

new trends threatening businesses in many countries across the world. The first is budget deficits. "The working population cannot pay any more for the non-working population.'

Second, he argues that the former Communist bloc preseots real challenges: not only because Russia is one of the world's largest agricultural and oil producers, but also because of the risk of a substantial migration to the west of "very educated, hard-working people, who will work for one-tenth the wage of others".

Andrew Jack

Brussels lists Tokyo barriers

By William Dawkins in Tokyo

The European Commission yesterday presented the Tokyo government with a list of 184 would like to see demolished and voiced concern over a recent rise in the EU's trade deficit with Japan.

Mr'Horst Krenzler, the Commission's director general for external relations, warned that this vear's EU-Japan trade deficit could well exceed last year's \$21.99bn, interrupting the decline from the 1992 peak. A delegation led by Mr Kren-

zler delivered the list of deregulation proposals at a regular meeting with senior Japanese counterparts. The list is a more detailed version of a 150-point plan covering a wide range of sectors from telecommunications to retailing and presented last year.

Mr Krenzler praised the Japanese government's deregulation campaign for being handled in a clear and open manner, but aaid the EU remained dissatisfied with the results: "It needs dynamically to be pushed forward. According to the Commis-

sion, Japan's surplus with the EU jumped by 13 per cent in the year to September, a blip in a 2½-year declining trend. Mr Krenzler also expressed some concern over the imple-

mentation of last summer's US-Japan accord on opening the Japanese market for cars and car parts. European car component producers in Tokyo maintain that they are starting to lose Japanese market share to US suppliers, reinforcing the EUs fears that Japanese car companies feel under political pressure to discriminate in favour of US suppliers.

The EU saw no problems in the text of the accord, and it was too early to say whether or not European component producers really were losing Japanese market share, said Mr Krenzler. He said the position might be clearer by early next year when the Commission, which is monitoring car trade with Japan, holds its first meeting with tha Japanese authorities to discuss the prog-

US dumping case with a UK twist

By Nancy Dunne in Washington

It sounds like a routine US dumping case involving plastic framing materials: "Foom extruded PVC and polystyrene framing stock from the United Kingdom." But it is not, for the integral of the United Kingdom." subsidiaries of two UK companies are battling it out for US market share under a law designed to protect American

Marley of Marion, Virginia, a US company bought by Marley of the UK a few years ago, has accused the fast-growing Woolwich-based Emafyl (affiliated with Simon & Sons, largest distributor of wood mouldings in Europe) of dumping its prod-ucts in the US market at unfair

The plastic framing materials produced by Emafyl have become popular in the US, with a number of finishes available, including foil wrap, glossy paints, prints, floral and those which look like wood, marble and granite. Emafyl says it uses the most advanced technology for a far wider selection of finishes.

A preliminary ruling by the US International Trade Commission last month found that Marley had shown "a reasonable indication that an indus-try in the US is threatened

with material injury by reason of imports from the UK". The US Commerce Depart-

ment will now try to determine

if Emafyl has been dumping selling at prices deemed to be unfair - a decision that in the US usually goes against the alleged dumper. Then the ITC. after a more extensiva investigation, will determine whether the imports actually injured the domestic US industry. Mr Louis Mastriani, one of Marley's US lawyers, alleges that Emafyl has been selling

its products at prices well below those it charges in the UK and Europe. He maintains Emafyl and Marley mass market products are comparable, but Emafyl uses low prices to attract US customers, and then sells them more elaborate custom-designed materials.

Emafyl says that before the dumping case was initiated Marley approached it with a view to buying it out, but this did not come to anything. The company has found a champioo in Mr John Austin-Walker, a British Labour MP who says Emafyl set up in Woolwich eight years ago with a labour force of four and now employs over 400 in a high unemployment area. He has asked the UK to intervene against whet he describes as "blatant protectionism".



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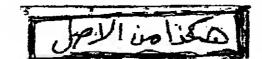
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Israel presses on with Palestinian self-rule

israel pressed ahead with the next stage of Palestinian self-rule yesterday as Mr Shimon Peres, acting prime minister, prepared to strengthen his government and crack down on rightwing Jewish extrem-

Mr Peres reasserted that the assassination of former prime minister Yitzhak Rabin by an extreme rightwing Jew would not kill Middle East peace. "I shall continue the process

of peace that we have started," he said after talks with Mr John Major, the British prime minister, one of the many foreign leaders who attended Mr Rabin's funeral on Monday. At the same time, Mr David Libai, justice minister, said he

was preparing legal measures

to ban incitement to violence against public figures, and police arrested four Jewish

In the West Bank town of Jenin, Israeli and Palestinian military officers met to discuss how to complete the Israeli handover of the first West Bank town to Palestinian self-rule. Israel is to complete redeploying its forces out of e further five Palestinian towns in the West Bank and make a partial withdrawal from

Hebron by December. "We are now resuming the redeployment," said Brigadier-General Ziad al Atrash, a senior Palestinian military officer. "Everything is going according to what had heen agreed. Palestinian police will arrive in Jenin this week." Senior Palestinian officials

also voiced optimism about Mr Peres' ability to push ahead with the peace process. "We are certain that Peres will continue with the peace process. He has already informed us that he will and it is an irre-

versible option [for Israel]," said Mr Tayeb Abdel-Rahim, general-secretary of the self-rule Palestinian Authority. Syria, Israel's most powerful remaining adversary, urged Mr Peres to reactivate the peace

The transition of power in Israel following the assassination of Yitzhak Rabin, according to government spokesman Uri Dromit Foreign Minister Shirnon Peres is Israel'e acting prime minister and defence minister – both jobs held by Mr Rabin.

• After a week of mourning, President Ezer Weizman will next

Sunday give Mr Peres the chance to form a government. Mr Peres will have 21 days to form a government and then, if needed, a further 21 days.

• If Mr Peres can gain the support of 61 members in the 120-seat Knesset, he will present his government to parliament.

Should Mr Peres fall, however, Mr Weizman may give a second Israeli politician the chance to form a government.

 Should no one find a majority, partiament may pass a law calling early elections, or leave the caretaker government in place until the next scheduled election on October 29 1996. In either event, Mr Peres would remain acting prime minister.

that Mr Warren Christopher, US secretary of state, might renew his shuttle diplomacy efforts hetween Israel and Syria next month.

As the process appeared to be returning swiftly to normal, the potential shape of the future Israel government hegan to emerge. President Ezer Weizman will next Sunday call upon Mr Peres, who moved into the prime minis-ter's office yesterday, to form a new government after a traditional week of Jewish mourning. Labour party officials said Mr Peres would seek to broaden the current fragile centre left coalition to bring in moderate religious parties.

Political experts said that barring any surprises Mr Peres would easily be able to gather

process in the wake of reports a parliamentary majority and they ruled out the prospect of bringing forward the next general election, due by October 29 next year. Three previous ettempts to hold early elec-tions to capitalise on changes in electoral mood have back-

fired on ruling parties.

"Why should we advance the electione after what happened?" said Mr Yossi Beilin economics minister. "Why should we give a prize to the assassins, that they can stop everything after whet hep-

But Mr Benjamin Netanyahu, leader of the rightwing opposition Liknd party, strongly denounced public accusations that he contributed to e climate of violence which made Mr Rabin's assassination possible.

INTERNATIONAL NEWS DIGEST

Sanctions call against Nigeria

Nigerian human rights groups yesterday urged leaders of the Commonwealth to suspend their country from its meetings and impose full sanctions against the military governmen until democracy was restored.

"There is a national consensus that the Commonwealth and its agencies should intervene decisively in the Nigerian situation in order to avert what has the potential of becoming an even worse tragedy than Yugoslavia and Rwanda," the Nigerian Human Rights Community said in an open letter to Commonwealth heads of state.

The annual summit of the Commonwealth is taking place in Auckland, New Zealand, on November 10-13 although it is doubtful if Gen Sani Abacha, Nigeria'e ruler, will attend. The Commonwealth, which groups Britain and its former colonies raised the prospect of sanctions against Nigeria after a special tribunal last week sentenced Mr Ken Saro-Wiwa, a minority rights leader, and eight associates to hang for murder. Nigeria has been in crisis since the army annulled e presidential vote in 1993 simed at ending military rule.

Coca-Cola in African venture

Coca-Cola, the US soft drinks company, and the South African Bottling Company (Sabco) said yesterday they had set up a joint venture that would serve as Coca-Cola soft-drink "anchor bottler" in Africa.

Coca-Cola has B 16 per cent share of the new company, Coca-Cola Sabco, with the remaining shareholding in the hands of Gntsche Family Investments, Sabco's parent company, But Coca-Cola, which pulled out of South Africa in 1986 and returned in June 1994 by setting up a division and buying National Beverage Services, said it could increase its

"The new enterprise is a streamlined bottling operation that will allow us to grow the Coca-Cola business at double digit annual percentage rates throughout Africa," Mr Phil Gutsche Sabco managing director, said. The deal combines Coca-Cola's bottling interests in Kenya, Tanzania, Uganda and Namibia with Port Elizabeth based Sabco's South African and Mozambique interests.

Poll truce in Ivory Coast

The prospect of more electoral violence in the Ivory Coast faded yesterday after the country's opposition agreed to abandon e planned boycott of forthcoming legislative polls in exchange for government concessions on voter registration.

The Republican Front opposition coalition pledged to drop a boycott order and guarantee the smooth running of the November 26 polls, which will decide the make-up of the 175-seat parliament. Mr Emile Constant Bombet, interior minister, agreed to extend the date for registration and give voters not listed B second chance to cast their ballots. At least 10 people died in the run-up to last month's presidential

Limited reform for Tunisia

Mr Zine al-Abidine Ben Ali, Tunisia's president, vesterday rejected international criticism of the country's human rights record and announced limited democracy reforms.

In a speech marking the eighth anniversary of his coming to office. Mr Ben Ali described some human rights groups as "purveyors of lies". A report issued last week by Amnesty International described serious and systematic human rights violations in Tunisia.

Mr Ben Ali said he would amend the electoral code to enable opposition parties to win more seats at the next municipal elections in 2000, and promised to subsidise the four opposition

Likud leader struggles to avoid taking blame

n Israel's volatile domestic politics, the right-wing A opposition Likud party has emerged as loser from the assassination on Saturday of prime minister Yitzhak Rabin by a right-wing extremist.

Mr Benjamin Netanyahu, the Likud leader who has spearheaded opposition to the Israeli-Palestinian peace process. has made statesmanlike efforts to distance his party from the right-wing extremists and their culture of verbal violence which created the climate in which the assassination took

But the public is in an unforgiving mood and, urged on by Mr Rabin's supporters, appears incapable at the moment of sparing the Likud from a backlash. Many Likud officials privately admit the party is facing considerable difficulties in maintaining a strong opposition to the government's peace process and could face fresh internal dissension against Mr

Netanyahu's leadership, "It is quite obvious that the Likud is in trouble," said Mr Avraham Diskin, professor of political science at the Hebrew University. "Everybody is now out to attack the right-wing main focus of the attack. It is blaming the party," he said. unfair in many ways because

they aren't responsible for what happened. Nevertheless they are in very deep trouble and if elections were beld today, support for the left would increase 10-20 per cent."

Party accused of creating climate of extremism. reports Julian Ozanne

Sensing the potential danger Mr Netanyahu has been trying to limit the damage. Immediately after the assessination he backed the formation of B new Labour party-led government and called for national unity.

Yesterday he rejected public accusations that his sometimes fierce and personalised campaign against Mr Rabin's peace policy had contributed to a climate of hatred.

These attempts now to make political hay out of this, to try to say it's the responsibility of the Likud, is like asking whether Lee Harvey Oswald [who shot US President John Kennedy in 1963] was a Repub-But it is unclear, especially in the short term, whether this exercise can protect Mr Netanyahu's poll standings. Recent opinion polls had shown him and Mr Rabin neck and neck with 42 per cent of the vote each. But Mr Netanyahn's determined hid for power has placed strains on party unity. And although he emphasised his opposition to violence, his fierce personal attacks against Mr Rabin contributed to the

growing polarisation. During a recent debate in the Knesset (parliament), be eccused Mr Rabin of having abandoned Zionism, reaffirmed Jewish biblical rights to the Israeli-occupied West Bank, and accused Mr Rabin of working towards the remolding of the Jewish state as a "tiny. threatened" country. Mr Netanyahu's record is

now under scrutiny by Mr

Rabin's supporters, who are eager to ensure the late prime minister's drive towards Arab-Israeli peace will be fulfilled.

Mr Rabin's widow Leah, whose grief has captured the hearts of Israelis, has blamed right-wing inciters inside and outside parliament for her hus-

band's death and yesterday

when asked by CNN television

In a separate interview sha said: "There definitely was incitement, which was strongly absorbed and found itself a murderer, who did this because he felt he had the support of a broad public with an extremist approach."

In the short term this will help the Labour party, which has been quick to exploit the assessination by saying Mr Rabin's legacy should be to speed forward with the peace he did so much to create. Mr Netanyahn has accused Labour and the left of a "very cynical incitement" in "trying to blame part of the country

"will run their lives and affairs in densely populated Arab areas surrounded by Jewish security areas and the Israeli army...[which] will be solely responsible for security."

among Israelis is in question.

sketchy alternative to the gov-

ernment's policy of territorial

compromise. It has proposed a

highly diluted autonomy plan

for Palestinians in which they,

according to Mr Netanyahu,

Ultra-orthodox Jews pass posters praising Yitzhak Rabin in Jerusalem yesterday

Such a plan is unacceptable

objects, the Likud's credibility Labour-led government's pol-Furthermore, the current dif-Prospects for dialogue ficulties of Likud will refocus attention on its hitherto rather

between Mr Netanyabu and Mr Yassir Arafat, the Palestinian leader, are virtually nil so long as the Likud leader continues to call Mr Arafat a terrorist. And the Likud difficulties have re-opened internal tensions about Mr Netanyahu's

leadership. "There is no doubt the Likud has suffered a big blow in its public support," said Mr Danny Ben-Simon, political commentator of the Davar newspaper. "There is now considerable yahu personally, she said: "I do matter how much he international commublame him."

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Trade fair planned for emergency relief products

WorldAid set up to improve co-ordination and efficiency of 'incoherent' aid efforts

By Frances Williams in Geneva

International emergency relief has become big business. Although government aid budgets have declined since the 1980s, the amount spent on emergencies has trebled since then to more than \$3bn a year as the number of victims of war and disaster has soared above 300m.

Yet few businesses of this size are run as incoherently, according to WorldAid, an independent Genevabased organisation set up by the United Nations and voluntary agenciency in emergency operations, which launched itself this week.

"Co-ordination is the key issue in emergency relief," said Mr Odd Grann, WorldAid's secretary general and former head of the Norwegian Red Cross. No fewer than 165 voluntary agencies turned up in Kigali last year during the Rwandan emergency.

Similar problems have arisen in Bosnia and in other war and disaster zones, where unfocused if well-intentioned efforts have cost lives and

non-governmental organisations from rich countries work in the developing world. WorldAid estimates.

"Goods are dispatched in boxes with no indication of what they contain. Instructions are frequently given in languages unknown in the recipi-ent country. Used clothing is collected in vast quantities, even though it is usually not needed and the freight costs could keep several villages going for years," WorldAid said. To help remedy these problems the organisation is preparing the first-

cies to improve co-ordination and effi- wasted resources. More than 3,000 ever trade fair for suppliers of relief goods, the purchasing agencies, gov-ernments and product developers, to be held next antumn at Palexpo. Geneva's exhibition centre. The aim is to make the fair a biennial event.

It is to be accompanied by an international conference of donors and relief agencies, one of whose priorities will be to devise e practical code of condoct for relief operations. This may include such issues as bar coding for supplies, enabling rapid identification and clearance through customs. Food swallows 40 per cent of the

emergency relief budget, but nearly e fifth goes on transport, from cargo jets to donkeys, WorldAid said. Even for more conventional vehicles it is a massive market. Last year, relief organisations bought more than 7,000 vehicles and chartered over 500 ships and 1,000 aircraft.

The agencies are also spending millions of dollars a year on medical supplies, shelter, sanitation and hygiene equipment, water and power supply equipment, telecommunications and mine detectors. The UN system alone has 4,000 registered suppliers.

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FT Surveys

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- The Fauji Electric Power Company Limited 5. The price should be quoted and payable in US (FEPCO) is a public limited company established in Pakistan to build, own and operate an oil fired power plant of 330 - 350 MW Net Capacity at the Constal area of Khalifa Point, District Lasbela, Province of
- FEPCO intends to invite bids from private sector Turnkey Construction Firms/Consortia having experience and qualifications to design, construct, test and commission the power plant.
- The scope of the contract will include:
- a) Design, Engineering, Manufacturing, Supply Transportation, Construction, Testing and Commissioning of the entire power generation complex including power block, 8. FEPCO reserves the right to accept or reject fuel storage, cooling system and substation.
- b) Commitment to arrange maximum amount of Export/Supplier's credit.
- Comparison of bids will be made on the basis of a criteria which will assign special consideration to shortest commissioning period. minimum price and maximum suppliers credit, quality & completeness of tender proposal, willingness to contribute equity.
- Dollar for foreign cost component and Pak Rupees for local cost component. Price in other currencies will not be acceptable.
- 6. Turnkey Construction Firms / Consortia wishing to participate in the bidding may obtain the Request for Proposal (RFP) document by sending a written request along with a bank draft / pay order for Rs. 50,000/- or US \$ 1600/- (non-refundable) made out in favour of Fauji Electric Power Company Limited from November 16 to 21, 1995.
- 7. A Bid Security in the form of Bank Guarantee oot less than 1% of the Bid Price would be required along with the bid.
- any Bid without assigning any reason.
- 9. Any further information or clarification about this solicitation may be obtained from the

Project Direct, FEPCO. Barley Street, Rawalpindi, Pakistan Phone: 92-51-564875 - 4 Lines 92-51-568901 - 5 Lines

CONTRACTS & TENDERS

NIGERIA: National Population Project POPULATION ACTIVITIES FUND AGENCY INVITATION FOR BIDS (IFB)

Date of Issuance: NOVEMBER 8, 1995 Credit No. 2238-UNI

Bid tovitation No. PAFA/95/ICB/3

. Federal Government of Nigeria has received a credit from the Inter Development Association (hereinafter referred to as "IDA") in various currencies towards the cost of the National Population Project and it is intraded that part of the proceeds of this credit will be applied to eligible payments under the contract(s) for supply of Printing Equipment for which this invitation to bid is issued. The Population Activities Fund, has been established to manage the Pund.

Population Activities Fund Agency now invites scaled bids from eligible bidders for the supply of goods listed below and in the Schedule of

LOT	ITEM	DESCRIPTION	QUANTITY	BID SE	CURITY
				USS	NATEA
1	1	Offset Press	3	1,450.00	116,000.00
	1	Stitching Machine	2		
2	2	Binding Machine	2	150,00	12,000.00
	3	Large Stapler	8		
	4	Cut and Trim Machine	2		
3	1	Plate Maker	3		
	2	Drying Cabinet	3	550.00	44,000.00
	3	Scanner (UPS)	2		
	4	Film Contact Preme	1		
4	1	Process Camera	3	630,00	50.400.00
	2	Process Photocopier	1		
.	3	Safe Lights	6		
5	1	Printing Accessories	1 set	700.00	56,000.00
	2	Artists Accessories A	2 sets		
6	1	Transformer	4	625.00	50,00.00

Bidders can bid for the supply of Goods under one or more complete lots Bids for incomplete lots will be rejected.

Interested eligible bidders may obtain further in the bidding documents at the office of:

The Director of Procure culation Activities Fund Agenc 83 Badagry Screet

Lagos NIGERIA

Tel: 01-2693671

4. A complete set of Bidding Documents may be purchased by any interested eligible bidder on submission of a written application to the above and upon payment of an non-refundable fee of US\$100,00 if purchased overseas or N8.000 if purchased in Nigeria. Bidding documents can also be inspected and purchased from the address below:

Winchester Procurement Limited Angle St. James House Southgate Street, Winch Hampshire SO23 9EH Tel: 01962 840009 Page 01962 840009

5. All bids must be accompanied by a bid security in the form of a Bank Guarantee. The bid security in the currency of bid or another freely convertible currency should be in the amounts equivalent to these spenified under hem 2 above and must be delivered at the offices of The Population Activities Pand Agency, 83, Radagry Street, Dolphin Essate, Ikoyi, Lagor, on or before 12.00 noon, Nigerian Time, on January 11, 1996.

. Bids will be opened in the presence of Bidders' representative who cho

Time: 12.00 Noon Nigerism Time: Date: THURSDAY, JANUARY 11, 1996

attend ar

Place: Conference Room
Population Activities Fund Agency 83, Badagry Street Ikoyi - Lagos

By John Mason and Kevin Brown

The British government yesterday came under renewed pressure over its conduct in the "arms to Iraq" affair when the Court of Appeal quashed the convictions of four husinessmen because ministers had helped to suppress Whitehall documents indicating the men's possible

innocence. Lord Taylor, the Lord Chief Justice, ruled that the convictions of the four men over their attempt to ship artillery fuse equipment to Iraq were unsafe because they had been denied access to documents suggesting the government had "turned a blind

eye" to such exports. The court judgment concerned four men associated with Ordtec, an engineering com-pany in Reading, Berkshire. It came three months before the publication of Sir Richard Scott's report into the government's handling of exports to Iraq and prompted renewed opposition calls for ministers to resign.

Mr Robin Cook, shadow foreign secretary, said: "Once again ministers have been caught out trying to cover up their role in the supply or arms to Iraq. The Ordter businessmen have been acquitted but ministers are now in the dock." Mr Michael Heseltine, deputy

prime minister, admitted that the

issues raised by the judgment were "very serious". But he accused Labour of trying to exploit the ruling for the "narrowest and basest" of party political motives.

The judgment came as the government faced growing anger from its backbenchers over Mr John Major's decision to set up the Nolan inquiry on standards in public life which paved the way for tough rules on the disclosure of MPs earnings.

At their trial in early 1992, the four men involved with Ordtec, Mr Paul Grecian, Mr Stuart Blackledge, Mr Bryan Mason and Mr Colin Phillips all denied breaching UK export controls. However, they were

denied access to Whitehall documents after ministers signed public interest immunity (PII) certificates. Denied the documents, the four men changed their pleas.

Lord Taylor ruled that the documents should have been produced at the trial. However, he declined to comment on the decision not to disclose them, insisting this was a matter for the Scott inquiry. Labour said the judgment increased the likelihood that the government will be seriously embarrassed by the find-

ings of the inquiry.

Mr Cook demanded the resignations of ministers who signed PII certificates. He said the certificates

Some room for improvement: how hotels measure up

est but for the convenience of the Conservative party."
Friends of Mr Peter Lilley, social

security secretary, said he was unconcerned about the judgment. They said it indicated that the PII certificates signed by ministers, including Mr Lilley when he was trade and industry secretary, were not relevant to the conviction.

The Ordtec judgment comes as reports continue to circulate of a Whitehall "whispering campaign" designed to denigrate the Scott report when it is unveiled early next year. The Ordtec ruling is widely thought likely to weaken such

were "issued not in the public inter- efforts and give greater political force to the criticisms expected to be made by Sir Richard.

Meanwhile in a clear government attempt to head off threats from some Tory backbenchers to ignore the new rules on disclosure of earnings, Mr Heseltine told the Commons that MPs must obey both "the spirit and the letter" of the regulations.

As Downing Street officials poured imprecedented scorn on the government whips' failure to warn Mr Major of the danger of defeat. Labour demanded an extension of the Nolan committee's inquiry to cover funding of political

room rate of £50 (\$78.50)

against £58 in France and £71 in Germany. British hotels

were also more profitable.
The growth of the British

hotel industry is heing held back by high construction costs and difficulties of getting

planning consent. Sir John

Egan, chairman of the CBI's Tourism Action Group, which aims to increase Britain's

share of the worldwide growth

in tourism, said: "we must

tackle the problem of finding new sites, achieving planning permission and huilding new

hotels cost effectively if we are

to attain world tourism growth

He said the CBI would work

with the hotel industry in a

Row over re-fit at nuclear dockyard

By Bernard Gray, Defence Correspondent

British Ministry of Defence officials have recommended that the £300m (\$471m) modernisation of Devonport dockyards to re-fit Trident nuclear submarines should not be handled by DML, the private company which runs the Plymouth yard, as previously amounced, but should be com-pleted by the MoD instead.

If the cabinet accepts the recommendation, it is likely to scupper the privatisation of Devonport, and prove a severe embarrassment for the government. Devonport was awarded the nuclear work, worth more than £3hn over the next 20 years, in a controversial competition with the Rosyth yard in Scotland in 1993.

The MoD has argued that it should retain the work because the price tendered by DMI to upgrade the docks is much higher than the £236m quoted in the competition. While that comparison ignored some costs, the MoD does not feel it can justify the increases involved in using a private contractor as representing value for money.

Most of the increase arises ecanse of the extra risks DML 🐇 is being asked to take on in the fixed-price modernisation. There are also smaller increases resulting from rises in the costs of some nuclear equipment and extra work eded to meet new seismic standards.

Because the nuclear upgrade is central to Devenport's activities, officials do not regard privatising the yard as feasible if the MoD handles the most important work.

Mr Michael Portillo, the defence secretary, has been faced with a difficult political choice: to support a private sector option which officials do not think can be defended, or to back away from privatisation, damaging his rightwing credentials.

Uncertainty has delayed any annooncement until after the Queen's Speech next Wednes-

Bank of England | Study finds 'weaknesses' in British hotels attacked over **Barings** collapse

By John Gapper, Banking Editor

The way the Bank of England carries out banking supervision was strongly criticised yesterday by MPs in the wake of the collapse of Barings, the merchant bank, in Fehru-ary from derivatives losses of 9830m (\$1.303bn).

The treasury and civil service select committee, which includes MPs from all political parties, recommended that the Treasury should review the role of the Bank,

The committee may carry out a further inquiry into the Bank's handling of the Barings crisis next year.

The report increases the political pressure on the Bank of England over its supervisory role. Labour had indicated that it is likely to remove banking supervision from the Bank, allocating it to a new "banking

The committee said in a report into the regulation of UK financial services it was "dismayed" at remarks by Mr Eddie George, the Bank's governor, indicating that his staff had little understanding of

financial conglomerates, It said the board of banking supervision's report into the collapse of Barings "raises considerable doubts about the

supervisor, and supervision might have to be transferred to a new body.

The committee's report said "a free-standing" supervisor of banks and huilding societies had become "a not inconceivable development which has been given greater credibility by the events of the last few

The Bank responded that it "did not recognise" the com-mittee's depiction of staff being unable to supervise or securities trading, It said it was already implementing reforms recommended in the Barings

report.
The Bank disclosed that it had appointed consultants from Arthur Andersen to carry out a thorough review of its banking supervision department. The consultants would compare it with banking supervision in other countries.

The committee recommended the Treasury should take responsibility for all forms of financial regulation, taking supervision of Lloyd's of London and regulation of insurance from the Department of Trade and Industry. It said legislation should be introduced to abolish the right of financial services companies to direct regulation by the Securities and Investments Board, rather than by the appropriate self-regulating organisations.

By Scheherazade Daneshkhu, Leisure Industries

Britain's mid-price hotels offer better value than their French and German counterparts, but fall behind in the qualification levels of their staff and the amount they spend on refurbishment, according to the Confederation of British indus-

try.
The CBI, which yesterday published a benchmarking study of the industry based on 60 hotels, identified "significant areas of competitive weakness" within the British three and four-star hotel indus-

try.
It found that only 20 per cent
of British hotel staff have a vocational qualification compared to 68 per cent in Ger-

Source: CBI Benchmark Study 1985 many and 31 per cent in France. Staff turnover was higher at 33 per cent against 16 per cent in Germany and 19 per cent in France.

Britain's hotels invest only 8

. UK

per cent of turnover on refur-bishment compared to 14 per cent in France and 16 per cent in Germany. However, lower labour costs in Britain allow higher staffing levels, with a

against 34 in France and Ger-

Occupancy, at 70 per cent, is higher in Britain helped by a best practice campaign to improve the competitiveness of lower mean achieved nightly British hotels.

BSkyB set for deal to televise rugby cup ·cussed BSkyB will hold all the television rights but would have to sell on some at least, of the rights to the main terrestrial broadcasters, including the

> highlights. The rugby union authorities are determined that their sport will con-4.38m at the end of September was higher than expected. The news of a possible rughy union deal and the results pushed the BSkyB share price

> > fire-power and the need of rugby union clubs for money following professional-isation of the game, it will then hold "a beauty contest" between the BBC and ITV for the terrestrial rights.

effectiveness of the Bank" as a

By Raymond Snoddy and possibly 10 years. If the deal is with the same period last year, turnover rose 37 per cent to £214m and operating profit was up 36 per cent to agreed it would greatly increase BSkyB's dominance of television sub-British Sky Broadcasting, the satellite scription sports rights. right to show live games as well as Mr Rupert Murdoch, chairman of The The net growth in subscribers of 214,000 in the quarter to a new total of

up by 16p to 386p.

television venture, believes it is close to a deal that would give it the right to broadcast the main European rugby union competitions including the Five Nations Cup.

BSkyB said yesterday that negotiations were " at an advanced stage" and although no sum has yet been agreed it is clear that around £100m (\$157m) is likely to be involved with the final sum depending on the package of rights and length of contract. The satellite company is negotiating for the Five Nations, the Anglo-Welsh championship and a European championship for five

News Corporation already has a 10-year agreement for an annual Rugby Union competition in the southern hemisphere between Australia, New Zealand and South Africa. Mr Murdoch has also created a new "super league" for Rugby League clubs.

The news of the latest sports rights negotiations came as BSkyB yesterday announced results at the very top end of expectations for the three months to the end of September. Pre-tax profit more than doubled to £51m compared

If a deal is finalised with the Home Unions which control rugby union it will almost certainly not mean that all top class rugby union will disappear from the screens of the terrestrial broadcasters.

Under the agreement now being dis-

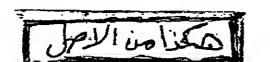
time to be seen by mass audiences, something a number of sponsors insist If as seems likely BSkyB wins the

rights package because of its financial



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F N T D RE

UK managers' lack of leadership skills are behind the failure to adopt com-

of their Japanese counterparts.

"I've not been to a UK factory where

UK companies in the "second tier" of the supply chain - making parts for bigger companies which deliver to tha carmakers - could improve by adopting simple techniques including standardising on assembly methods and forming

closer links with suppliers.

Ms Thayer was giving a preview of a speech she will deliver at an industry conference in Birmingham today when she will report on a two-year "Learning from Japan" project backed by the Department of Trade and Industry and which she has directed.

The £450,000 scheme has put managers and shop-floor workers from 12 the people on the shop floor are incapa-ble of doing what needs to be done [to

match the Japanese, but I've met a lot of [UK]managers who are incapable of leading," said Ms Thayer.

She said that in spite of the gap many

UK and Japan to help them pick up tips on improving production techniques.

At the Birmingham conference, Mr Tim Eggar, the industry minister, is expected to disclose new government initiatives to help the UK closa tha quality gap, for instance by promoting closer dialogue between big UK-based car makers and parts suppliers.

Ms Thayer said the 12 "second tier" companies in the project were typical of the 3,000 or so similar businesses operating in the UK. These groups spend much of their efforts supplying about 50 big "first tier" supply companies which feed the car makers.

Most of the second-tier businesses faced an "overwhelming" quality gap compared with equivalent Japanese companies. The ratio of defective to good-quality components was about 100 However the "Learning from Japan" programme had shown that companies could narrow the gap by adopting an orderly approach to improving aspects of production such as machine setting or assembly procedures. "The importance of the project is that it has helped the companies to focus their activities and give them the confidence that they can do more," said Ms Thayer.

Of the 12 companies, three were now supplying parts to Japan while none of them had done so et the start of the project. All 12 had increased productivity, in some cases by large amounts.

It was essential for the bealth of the

UK car industry for the second-tier companies to improve because without this the first-tier businesses would have to spend time and money correcting defects which damaged the sector's

represents many smaller UK-based PC mann-facturers, lodged a complaint with the OFT in early October claiming that its members had to pay up to 60 per cent more for some Micro-soft software than their large US-owned rivals with manufacturing operations in Ireland.
Yesterday the OFT confirmed that the complaint had been forwarded to the EU because it overall competitivenes

UK NEWS DIGEST

Microsoft

on pricing

Britain's Office of Fair Trading has asked tha

European Commission to investigate pricing

complaints by British personal computer man-

ufacturers against Microsoft, the US software

The Personal Computer Association, which

in probe

fell outside the scope of British competition law. "We thought it was more of an EC mat-ter," tha OFT said. Microsoft Office dominates the market for suites of office software packages and is included with many new computers

However the Association claims British computer manufacturers have to pay more for the software than their US counterparts with operations in Ireland which sell direct to customers in Britain and elsewhere in Europe. Microsoft declined to comment on the com-Paul Taylor

BP keeps spending

British Petroleum yesterday said it would maintain its exploration and appraisal spend-ing in the deep water west of the Shetland Islands in spite of the "tricky" geology it has encountered in the UK'a newest oil province. Mr John Browne, BP a chief executive, said "great care" had to be taken in the area because of complex geologic conditions. He said success required the use of the most sophisticated seismic techniques available to

the international oil industry. BP has been in the forefront of exploring the area, which many companies believe holds out the last hope of finding big oil fields in UK waters. But there was disappointment about an apparent lack of drilling success last sum-

mer in spite of intense activity. Mr Browne yesterday noted that the UK oil industry spent a total of £1bn before making its first discovery in the area. BP yesterday confirmed that it has fully appraised the Schiehallion field in the area, and is working on a development plan that could result in first production in late 1997 or in 1998. The company is also developing the Foinaven field.

Business confidence low

The Institute of Directors' latest twomonthly survey shows that business confidence has fallen to its lowest level for three years amid signs that fewer companies intend to raise output and that profits are falling.

Political uncertainty and evidence of slower economic growth were cited as important factors which were undermining confidence. Directors said they were also concerned about

the levels of government spending and taxes.

The survey shows that 28 per cent of company directors were more optimistic about the economy than they had been six months ago. But 30 per cent said they were less confident, up from 28 per cent in the last survey. This continues the steady decline in confi-dence which has taken place since the autumn of 1983. But it is the first time that the percentage of pessimists has exceeded that of opti-mists since September 1992. Graham Bowley

Boost for Lloyd's

Underwriting capacity at Lloyd's of London will not fall next year as much as feared, spite uncertainty over the insurance market'a future, according to revised forecasts published yesterday.

A drop in world insurance premium rates, which threatens to erode profits, was also expected to contribute to a steep fall in capacity in 1996. Forecasts published in July uggested a fall of as much as 16 per cent. But Lloyd's said yesterday that agents acting for members, and other advisers, now expect the amount of business that Lloyd's can underwrite will drop by less than 9 per cent from £10.2bn this year to £9.3bn in 1996. Lloyd's underwriting capacity is calculated

as a multiple of the capital supplied by inves-

The latest figures came as the largest corpo rate investor at Lloyd's increased its forecast for profits earned in 1994. London Insurance Market investment Trust (Limit) said it anticipates a return on capacity of about 9 per cent compared with earlier forecasts of 7 per cent. That is before taking account of the impact of Lloyd's recovery plan which is due to be implemented in May.

Ralph Atkins mented in May.

Aid use criticised

The National Audit Office, the government's accounting watchdog, has criticised the management of several bealth and population pro-jects funded by the Overseas Development Administration, and has called on it to improve its overall planning and monitoring

In a new report today the NAO says that of 16 projects examined in india, Pakistan, Kenya and Zimbabwe, only nine were likely to meet their objectives. Three would only partially achieve their goals while two "were likely to have little impact" as a result of problems with financial management, poor procurement policies and inadequate planning, targeting

and monitoring. To correct this, it calls for "clear, appropriate, project-specific objectives to be set at the design stage and for relevant data to be col-lected during and after the project." Between 1988 and 1994 the ODA spent £911m

on such projects, including spending on emer-gency relief, mainly in Asia and Africa.

monsense production techniques that can narrow the "overwhelming" quality gap between the Japanese and British car parts industry, according to the author of a government-backed report

being published today.

Ms Betty Thayer, the associate partner at Andersen Consulting, a US-owned consultancy group, said yesterday that companies making vehicle components in the UK typically operated at one-hundredth the quality levels A big challenge was to educate UK

r Jim Johnson likens

his links with Japa-

nese companies to

mountain climbing. "Going up

is agony, but you get a nice

Mr Johnson is managing director of Stadium, one of 12

UK car component businesses

which have participated over

the past two years in the "Learning from Japan" pro-

gramme - a Department of

Trade and Industry-backed ini-

view at the top.

Companies keen to learn from Japan

to Mr Johnson. Stadium says it has benefited from exposure to Japanese manufacturing practices both through its rontine dealings with Nissan - it delivers parts such as interior mouldings to the company's Sunderland plant four times a day - and through visiting components

tiative to speed up the flow of ideas between the Japanese "The Japanese have a comand UK car industries. Based in Hartlepool, privately-owned Stadium makes plastics and electronic components for companies including Nissan and Toyots, two Japanese carmakers with plants in the

Stadium supplies these comdetail. panies either directly, or by One lesson for Stadium conselling components to bigger cerns standardisation of proautomotive parts groups Including Johnson Controls, TRW and Ikeda Hoover, which use the parts in sub-assemblies which they sell to the Japanese groups. Stadium expects to turn in a 24m profit on sales of more thau £50m this year. Since

1989, when it made a pre-tax loss of £500,000 on sales of £17m, it has increased its workforce from 730 to 1,000, with 600 of them in Hartlepool, an unemployment blackspot. One of the main reasons for the improved fortunes of Sta-

dium - which intends to go

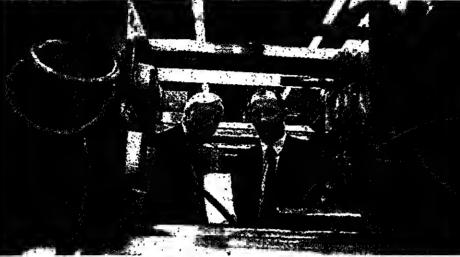
public next year - is its appli-cation of ideas derived from its Japanese customers, according

companies in Japan as part of the DTI scheme.

monsense approach," says Mr John Pearson, head of Stadi-um's plastics division. "What they do is not rocket science their equipment is no better than we have. Their secret is the way they control processes and their involvement in

duction processes. Mr Mike Unsworth, a shift supervisor at the Hartlepool plant, illustrates this by referring to a finger-sized component - one of hundreds of parts Stadium produces - which the company's operators assemble from seven plastic pieces. The component ends up as part of a head rest in Nissan saloons.

Five years ago Stadium taught its operators to assemble this component using a set of headings written on a sheet of paper. The instructions are now much more detailed, occupying three sheets crammed



Mark Runnacles and John Pearson of Stadium with one of their injection woulding machines

with writing and drawings. "Nissan showed us that if you standardise how you make products according to a method which has been shown to give good results, then you can reduce defects to a very

low level," says Mr Unsworth. People react to this accent on ironing out differences in a mixture of ways. "If you make parts in the same way over and again to reduce defects, it makes the job easier," says Mr Shaun Pugh, an assembly worker who has been with Stadium nine years and who He says the Japaneae-inspired changes have been positive. Production workers also

have the chance - if they feel a standard procedure can be improved - to propose changes which, if accepted, will become adopted in manufacturing blueprints.

But, according to Mr Pearson, the emphasis on following procedures is not always welcomed on the shopfloor. Some feel this removes scope for improvisation.

"On plastics moulding machines, in the UK you have a tradition of operators twiddling with the controls and following their own procedures to make a specific part. There's a certain amount of resentment when you try to get them all to follow a standardised approach," he says. A second lesson has been to

look for small scale improve-ments to processes which, if multiplied dozens of times, lead to big cost savings. "European companies try to

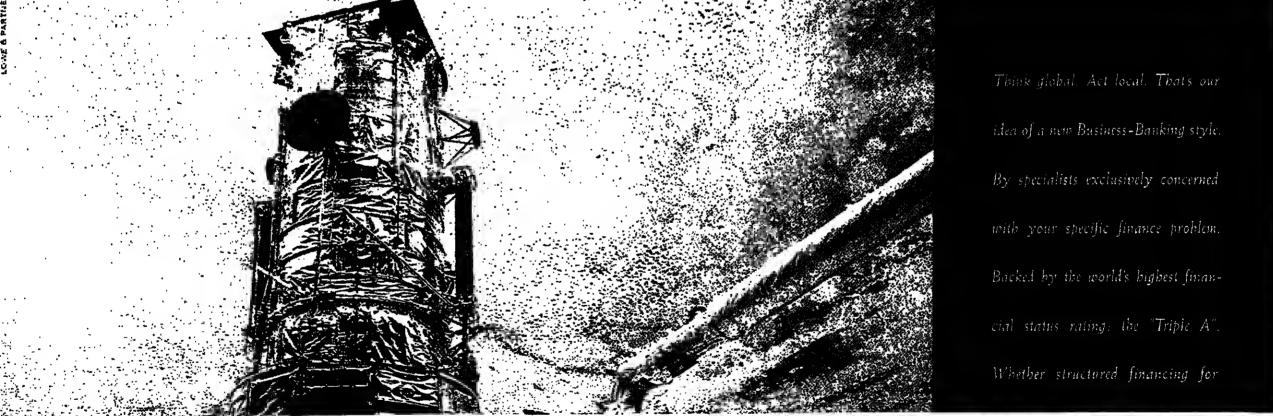
improve [their processes] in big jumps," says Mr Pearson. "The Japanese are looking for little benefits all the time." Working with Nissan, says Mr Johnson, has been particu-larly rewarding, with the com-pany providing Stadium with

what amounts to free consul-

to Hartlepool for weeks at a

time to teach new skills.

More company directors are pessimistic than optimistic about the UK economy for the first tancy by sending its engineers time since the pound left the European exchange rate mechanism in 1992.





BUSINESS AND THE ENVIRONMENT

Wildlife reserves are becoming big business in South Africa, reports Scheherazade Daneshkhu

The conservation game

drian Gardiner, millionaire owner of South Africa's biggest private conservation wildlife reserve, used to bunt ani rais. Now he says he would oot kill a spider and is spearheading one of the country's most ambitious conservation

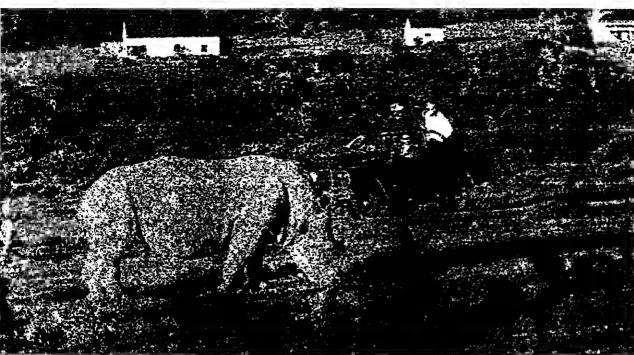
Over the past five years he has been reintroducing wildlife and flora which have long disappeared from the eastern Cape region, where his Shamwari wildlife reserve on 13,000 hectares of former farmland is located.

It was opened to tourists three years ago when Long Lee Manor, an Edwardian manor house on the estate, was converted into a botel. Shamwari Lodge, an "African-style" five star botel of separate hungalows, opened this summer to accommodate a growing number of visitors to the reserve. all of whom are thanked on arrival for their personal con-tribution to helping conserve a vanishing way of life.

At first glance, the project seems perverse. No one associates the eastern Cape region in the south west of South Africa with wildlife; the main nature reserves, including the famous Kruger national park, are mostly in the east.

"Our main difficulty has been to convince the public that this is a game destination," confirms Gardiner. The location has the advantages of being malaria-free and close to the main tourist destinations of Cape Town, the wine regions and the garden route. The overnight luxury African rail safari links Johannesburg to

South Africa's largest wild-



The Shamwari wildlife reserve in the eastern Cape has reintroduced white rhino (pictured), black thino, gtraffe, zebra, itoms and elephants into the region

- lion, rhino, huffalo, elephant and leopard - were documented for the first time in the eastern Cape. For the settlers who came to South Africa

in the 19th century the region was a hunter's paradise. Gardiner says the spur to his project came when he was researching the history of the region after he bought his first derelict farm in Shamwari. "I was shocked when I read about the wildlife that was bere and what man had destroyed," he says. "By 1860 the black rhino and the lion bad heen destroyed, there were only 11 elephants left and we'd been

With his own money and a low-interest eco-tourism loan from the Independent Development Corporation, Gardiner began his project to put back

what had been taken away. The surrounding farmland, much of which had been abandoned because of overgrazing and drought, was gradually bought up and the whole area fenced off to allow grass to grow back on the overgrazed

Repairing the erosion damage is a long-term project since all seven ecosystems on Shamwari have been extensively degraded by overgrazing. No new access roads have been

CROATIAN INSTITUTE FOR HEALTH INSURANCE

huilt although a few roads for safari drives and for linking the farms have been constructed.

White rhino, the endangered black rhino species, giraffe, zebra, lions and elephants saved from culling at Kruger have all been brought in along with a large variety of antelope species. The total investment stands at £3.5m-£4m

This year internally-generated revenues will cover operating expenses for the first time but for the project to be self-financing, Gardiner says, it needs 70 beds instead of the current 48. The value of animals, some of which have bred.

has doubled in the past five

years to Rs5m (2900,000).
"He'll never get his money back in his lifetime," says one of the rangers, who joke about the outsiders who regarded Gardiner as mad for having started the Shamwari project which has now been submitted to the Tourism for Tomorrow environmental awards spotisored by British Airways. "But then he regards this project as his legacy - his contribution to the future."

Although there is no hunting at Shamwari, Gardiner does not find it ironic that he used to be a hunter. "We nature conservationists have at some

hunting." He believes hunting can play a part in conservation when it is done in a controlled way, because the high income it generates can then be put back into the environment.

South Africa is one of the few countries in the world to still have elephant, rhino, lion, leopard and huffalo and to allow them to be hunted as trophies. About 5,000 wealthy hunters, most of them from the US, visit South Africa every year and spend an average of £5,000 per trip. Perhaps the most hard-

headed approach to conservation is taken by the Johannesburg-based Conservation Corporation, which operates four luxury wildlife reserves in South Africa and counts the direct investments arm of bankers Hambros, the Getty family trusts and the ABCI pension fund, part of the Anglo-American corporation, among its 40 shareholders.

Its objectives have been to huy up degraded land, usually used for cattle farming or crops, rehabilitate it, restock it with animals and charge tour-ists high prices for auperh accommodation and wildlife

For Howard Geach, director, the economic logic is simple -the gross returns per hectare from wildlife tourism are much higher than any other land use. "Very roughly, you can expect returns of R60-80 per hectare per annum from land under cattle, R250 from dry land cropping and R700-1,000

At Phinda, the ConsCorp reserve which best embraces its approach, the company has raised funds for development projects for local communities, including a R650,000 clinic, preschooling programmes and water and sanitation projects.

Les Carlisle, Phinda's regional development manager, is the first to admit that the main motivation for these projects is not altruism but basic survival. He describes it as a "brutally commercial approach to conservation" which involves "addressing your biggest threat" to ease the hostility of the local communities to the conservation

The approach is fast gaining ground in South Africa. Southern Sun, the country's largest hotel operator, this industry with its Sun Game Lodge division; it espouses community involvement as

paramount to success. "If we don't involve the local communities, they will eat the animals and roh the tourists, says Carlisle. "They are starv-ing subsistence farmers. We've taken white-owned cattle farms, filled them with animals, created a lot of employment and we want to integrate those communities with the

Caught in the nitrate zone

A new European directive is angering farmers, writes **Deborah Hargeaves**

ne third of the Norfolk farmland under management by Brian Reynolds at Barton Bendish Farms could be worth up to £200 per acre less than the rest of his holding next year, if the with rules to establish . nitrate vulnerable zones.

These zones will cover up to 1.6m acres or 6 per cent of the agricultural land in England and Wales and will impose restrictions on the way producers can farm them. The 72 zones are being established to comply with the European Union's nitrates directive which aims to cut the level of nitrates in drinking water.

"It is putting a blight on our land. We are having our property devalued with effectively no compensation," Reynolds

says. Around 1,000 acres of the 3,000-acre arable farm under his management is included in a volnerable zone while the rest will remain outside.

Future purchasers of farmland are more likely to buy a holding outside a zone rather than one classed as vulnerable which could be subject to increasingly stringent restrictions.

Intensive livestock farmers across Europe will be hardest hit by the European Union directive. A report by the US Department of Agriculture predicted that livestock berds would have to be cut by 65 per cent in the Netherlands, by 28 per cent in Belgium and by 9 per cent in Denmark by 2000 once the nitrate rules are in place.

The Danish government is considering a nitrogen tax on fertiliser. Already Danish farmers most have land in proportion to the amount of manure they want to dispose of, or must be able to show contracts for disposing of sturry on neighbouring farms, according to Niels Roysing, a pigs and cereals farmer in Balle.

Farmers complain that the nitrate rules are arbitrary and that the Commission's requirement to cut nitrates 50mg per litre is

sarily stringent Roy Goodwin, a Suffolk farmer, says that many intensive pig producers will find it impossible to carry on farming as they are. "Some will undoubtedly have to get rid of some of their animals or completely change their farming system and the benefit to the public is very dubious," he said. The Country Landowners'

Association is pressing the government to agree to compensation for producers worst affected by the directive, such as small livestock farmers who traditionally spread their surplus manure on the land. Nitrates leach into the water system from artificial fertilisers and manure.

If small UK farmers are forced to cut manure-spreading, they will need to find ways of disposing of it elsewhere, or could be forced to reduce their stock to economic levels.

For arable farmers, inclusion in a zone will mean sticking to good agricultural practices. But Walter Lane. whose 340-acre Staffordshire farm is included, fears that, once established, the rules will get tougher. In addition, he is concerned about nitrate

deposits from air pollntion over which he has no control. Lane appealed to the Department of the

Lane believes much of the pollution leaving his farm is deposited from the atmosphere. But his objections were not upheld

Environment over his inclusion in a zone because he believes much of the pollution leaving his farm is deposited from the mosphere. But his objections were not upbeld.

Last week, the Department of the Environment published a report which had considered 87 appeals from angry farmers over their inclusion in a zone. However, it recommended only seven boundary changes in spite of many complaints from farmers about flawed sampling procedures to test groundwater on their land.

The National Farmers' Union is currently considering its response to report, but says that producers remain annoyed. Officials say there are small dairy farmers that face losing their businesses if the

zones are implemented. The Commission bas said it may look again at the directive with a view to making changes, but has so far resisted this. The DoE said it expects to enshrine the boundaries of vulnerable zones in legislation by early

HEADQUARTERS Zagreb, Margaretska 3

SPECIAL PROCUREMENT NOTICE FOR MEDICAL EQUIPMENT

- 1. The Republic of Croatia has received a loan No. 3843 HR from the international Bank for Reconstruction and Development (World Bank) in various currencies towards the cost of the Health Project and it is intended that a part of the proceeds of this loan will be applied to eligible payments under the contract for medical equipment.
- 2. Purchaser: Croatian Institute for Health Insurance, Headquarters, Zagreb, Margaretska 3.
- 3. The Croatian Institute for Health Insurance now invites sealed bids from eligible bidders for the supply of medical equipment packages.

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- 5. Interested eligible Bidders may obtain further information from and inspect the bidding documents from October 30, 1995, during working hours 9 14. at the office of:

Hrvatski zavod za zdravstveno osiguranje, Direkcija (Croatian Health Insurance Institute, Headquarters) Margaretska 3, Zagreb, 1st floor, room 2A Phone: 385-1-425-666/21,421-265

- Fax: 385-1-425-071 6. The Bidding documents for each of the packages as listed in article 3., may be purchased by any interested eligible bidder on the submission of the written application to the above and upon payment of a non refundable fee of USD 200 to the account at PRIVREDNA BANKA ZAGREB, 30101-620-37-7022-0682800-3838, or equivalent amount in HRK at the medium exchange rate of National Bank of Croatia, effective on the day of payment, to the amount 30102-640-609 in favour of Croatian Health Insurance Institute, Headquarters, Margaretska 3, Zagreb.
- 7. All bids must be accompanied by a bid security of 2% of the total bid value in a form of bank guarantee, and must be delivered in sealed and closed envelopes on or before the time stated in the specific bidding document for each package to the following address:

Croatian Institute for Health Insurance, Headquarters

Margaretska 3, Zagreb

Admissions office II floor, room 13, With note "BID FOR (mention the name of package of equipment) - DO NOT OPEN".

8. Bids will be opened in the presence of Bidders representatives who choose to attend bid opening at the time and day as mentioned in each individual bidding document on the address Croatian Institute for Health Insurance, Headquarters, Margaretska 3, II floor - conference room 1, Zagreb.

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Instead of the academics, Mortimer Wheeler and Glyn Daniel, we get comedian Paul Merton and journalist lan Hislop. Instead of being on BBC2, the 1953 programme was simply "on television" because there was only the one channel (run by the BBC) at that time. There are other respects in which the programmes are remarkably similar: two teams of two, each consisting of a regular participant and a guest, slt in a studio and compete in a quiz. In 1953 the mystery objects were archaeological artefacts and museum items. In 1995 they are newspaper bead-lines and photographs. But there is a distinct difference in tone. Memory suggests that although people did crack jokes on AVM they tended to be of the sort that you might hear in an Oxbridge senior common room. On HIGNFY the wit is often aimed fairly low and directly at the opposite team, as it was last week. Hislop decided not to treat Paula Yates

like a second Vera Lynn, but to mock her for the heavily publicised events in her "private" life: the breast enlargement operation, the affair with a pop star, the

men stor

100.564

Section Section

Television/Christopher Dunkley

Fish pie and poltergeists

autobiography written in six days to pay for a new home. Yates, who had herself provided all the ammunition, acted deeply hurt and the audience, in a sign of the times (or perhaps a sign of the sort of people who apply for tickets to TV quiz shows) sided with her and against Hislop. Today there are quiz shows on almost

any subject: antiques (Going Going Gons), television itself (Telly Addicts), nostalgia (Today's the Day), domestic knowledge (Housemates), words (Countdown), (Incogmito) and many more. Although they may be the direct descendants of Animal, Vegetable, Mineral? the approach is significantly different. In the days of AVM broadcasting was still supposed to do good, so entertainment was used to wrap np information, and even education. It is said that the Queen both enjoyed and approved of it.

We are not told what she thinks of HIGNFY but it is not difficult to imagine. Today's shows make no pretence at con-veying information, let alone education. It the missing word in a beautine from last month's Pig Breeders' Gazette. Entertainment is now the sole aim, and studio shows of all sorts, not only quizzes, are being produced in their scores, even their bundreds, because they are one of the most cost-effective forms of television ever invented. Soon, presumably, they will be produced in their thousands because few other programmes, apart from repeats, will be cheap enough to fill the vast space available once we have digital television. You can see the way things are going

simply hy looking to the margins of the existing system where budgets are tight-est. Take a glance at cable programmes, or daytime terrestrial television, and you will find hour after hour filled with permanently smiling people perched on stu-dio sofas as they discuss orgasms, fish pie and poltergeists. Very often the discussion is not with a professional who would

is hard to think of anyone who might feel cost money but with a member of the themselves better informed for knowing public on the end of a telephone line. In the versions where a "personality" orchestrates a discussion on child abuse, aromatherapy or butlers, hetween a bunch of guests and a studio full of "ordinary" people - Kilroy, Esther, Oprah, Chrystal Rose, Vanessa and so on - the costs are doubtless a blt higher, but still tiny when compared to documentaries, drama, or even sport. It would be absurd, of course, to dismiss all studio shows as cheap, mindless rubhish. In some instances they have come about because they were the best way of providing a certain sort of material or solving a per-

ticular problem. You can imagine how, when Line Up ended in the early 1970s, people at the BBC would have said "Couldn't we have a weekly programme devoted to current films? The result, nearly a quarter of a century later, is Film 95 with Barry Norman which continues to do a better job than any of its imitators. On the other

hand it is extremely difficult to imagine anybody saying, "What we really need is a series where Jonathan Ross can affec-tionately take the mick out of schlock cinema." Presumably the lad - sorry, man - himself thought up Mondo Rosso and

sold it to RBC2 Something similar must surely have happened to bring us Street Porter's Men, because it is equally hard to believe that anybody at the commissioning end said "Wouldn't it be terrific to get a succession of forgettable guys chatting in a desultory way to Janet on a studio set got up to look like a dining room out of Woman's Own." It will be interesting -well, that is putting it a bit strong - to see whether Clive Anderson turns up on one of the last two programmes in her series, given that sbe (and incidentally Paul Merton) were guests on Clive Anderson Talks Back only

There are subjects which are difficult for television to handle except by using a studio full of talking heads, notably political theory. Question Time, which soared briefly when Robin Day flew it by the seat of his pants, has since become a hore with its predictable party slanging matches and its insistence upon casting for gender before talent. Yet the BBC is probably stuck with it, at least until some other way can be invented for getting politicians onto BBC1 for an hour before midnight. The Midnight Hour, which has returned to BBC2 with 30 minutes of round table political discussion, is now looking a better proposition. Some of the tricksy studio dressing has gone, so that the set looks less like a third rate brothel, and the daft rule that men but not women remove their jackets has been abandoned. Here, without "ordinary members of the public" to slow things down, you get dis-cussion between politicians and political journalists which can be robust and at times heated.

Last week James le Fanu and Peter Bottomley got quite shirty with each other and words such as "condescending" and "facetions" bounced across the table, though presenter Trevor Phillips never actually lost control. The trouble is that all the signs point not towards more pro-grammes of this sort but towards sofa shows, agony aunts and above all quizzes. Now Professor if yon'd care to take this small terracotta object in your hand. . .

Theatre/Alastair Macaulay

'Country Girl' too low-key

t is hard on the American playwright Clifford Odets (1906-63) that he made his early reputation for plays in which social realism pushed towards socialist propaganda.

Even if his 1930s plays are seldom revived these days, we know that they paved the way for the social criticism and message theatre of the next American generation of play-wrights. But while Arthur Miller et al. were building on Odets' early achievements after the war, Odets himself seemed to be involved in a volte-face. His later career included the very un-socialist Hollywood and almost 20 films: and in 1952, alas, he named names to the Un-American

Activities Committee. But if Odets failed as a good socialist, he went on growing as an artist. That this is true is shown by the Greenwich Theatre's revival of Odets's 1950 The Country Girl. How well, this revival reminds us in particular, Odets wrote for women. The play shows us an off-stage triancle - the director of a new play, the alcoholic actor whose career he resurrects and the actor's wife. It shows us how the actor's wife, Georgie Elgin, suffers two kinds of misogray: the scape-goating whereby ber busband tries to make her the excuse for all his misdemeanours and the unquestioning blame that the director casts on her for her busband's problems. Georgie is not, however, seen as a victim but as a tough-minded woman who carns the love of

both these men. At Greenwich there is a discrepancy between actors and the play. The big confrontations dn not come off; the temperature stays too tepid. Careful listening to the dialogue should show anyone that the director Annie Castledine has allowed her actors to play Odets' lines too low-key. The lines tell us that these people are highly intelligent and beautifully ironic - "I'm fairly lev-el-headed, making allowances for my sex," "This is the face that once turned down radio work," "Don't miminuse what I say hy agreeing with me" -and, at times, explosive; but most in these performances. And the nervous tension, the inner conflict, the American wit, the sudden brief flares of lyricism - all of which are such fine features of Odets's work bere - are soft-pedalled.

When this play was first per-formed in London (under the title of Winter Journey), in 1952, the alcoholic actor Frank Elgin was played by Michael Redgrave. The best serious performance be has given us for years," Tynan called it. Since this year has seen the publication of M. Redgrave's biography by his son Corin, the fact that C. Redgrave now plays the role of Frank is a rather heavy-handed dynastic connection

Though Redgrave fils begins well by suddenly showing us, in a rehearsal scene, just how much authority Frank can command in a role, the play goes on to tell us that Frank is a much more interestingly neurotle man, more canny and more sensitive, than C. Redgrave's performance. As the director, Daniel Stewart has an appealing drive, though at playing an American accent than an American character. Kika Markham does not have the beauty that other characters attribute to Georgie, nor can she handle her big outburst against the director. Much of her playing is, however, sensitive, and her stillness is very telling.

The production, despite any flaws, has the great merit that everyone onstage focuses attention perfectly on one another. It begins like any old backstage drama, with the cliched questions - "Will the show go on? Will the old actor bring off his comeback?" Those questions belp to give the play suspense but but by the time it has got around to answering them, we hardly care. For The Country Girl goes on to ask much more delicate questions. ahout Immature men and a mature woman. It does not answer all of these questions and that is part of its wisdom.

At the Greenwich Theatre until December 9.



Off the boil: Corin Redgrave and Kika Markham in 'The Country Girl'

Theatre/David Murray

'Silverface'

eople often remark fractious sons, is set in his that the tiny Gate Theatre supplies a disproportionate share of exciting theatre in London.

Silverface, by Ramon María del Valle Inclán (1866-1936), is a case in point: a fascinating, idiosyncratic play by a Spanish dramatist well worth discovering, directed by David Fart with inagination and panache, excellently designed and lit by Sarah Blenkinsop and Paul Russell, and played by a high-

quality cast of 15. This is another bold but fastidious choice of repertoire, and of a director with the wit to make use of the space the Gate can offer, which is restricted but remarkably polymorphous. This time we sit on three sides of the stage, which looks bare but springs many surprises in the play's two hours -trapdoors, a lurid under-stage glow, primitive speaking puppets as the peasant chorus.

Silverface, one of several Valle Inclan plays about the monstrous patriarch Don Juan Manuel de Montenegro and his

native 19th-century Galicia: still almost feudal, fetid with pious superstition and haronial arrogance.

It begins with a face-off between the grandee, who has decided to deny local berdsmen the right to cross his land, and the angry, thwarted commnnity and their Abbot.

So far, so much like Fuente Ovejima; but more particular passions soon boll up, sketched by Valle Inclán in swift modern strokes. Don Juan lusts after demure

Sabelita, his foster-daughter from the Abbot's family - but so does his son "Silverface" (the village girls think him irresistibly pretty). While the erotic tensions burgeon, intercut with seamy low-life vignettes, Don Juan grows into the very modern image of his archetypal namesake: driven and yet sardonically detached, hard-headed but prey to existentialist despair. It is all splendidly reckless, colourful, unexpected, and Farr's production does it proud.

to follow at once. The translations are by the Irishman David Johnston, without Oir-ishry but with many a telltale turn of phrase, which the Irishleaning company obviously relish; and there were parallels between Galicia and Ireland. out on the demented fringes of old Europe.

The embattled patriarch and abbot are cleverly cast as near-doubles, Douald Sumpter and Peter Marinker, If the Sabelita, Tonia Chauvet, looks quite lovely but leaves us too much in the dark about how she feels, Tony Curran's Silverface is a ginger-haired, whey-faced boy who could scarcely look less like an aristocratic Spanish whelp, but he lends him palpable flesh and blood in his

own terms. The small-part playing is sappy and canny. Everybody is having so much fun that the final black eruptions come almost as unprepared surprises; but that is only a small cavil.

At the Gate, Notting Hill, A sequel, Ballad of Wolves, is Londoo until November 25.

LSO homes in

iři Bělohlávek led a complete performance of Smetana's Má Vlast cycle at the Barblean last week. He did the same thing to admiration at the Royal Festival Hall two years ago - but that was with the Czech Philharmonic; last September he added the principal guest con-ductorship of the BBC Symphony to his portfolio, and this ime he was appearing with

the London Symphony. An interesting experiment: how would a British orchestra sound, even under a Czech conductor, in such patriotic Bohe-

The Czech Philharmonic has, among many virtues, the gift for playing simple music simply, but like Czechs: which is to say, they know how to intone tha chorales and cavort in the polkas with immediate conviction, and no self-conscious art.

That becomes Má Vlast ("my homeland"), for all its compo-nent parts are as public and

"popular" as Smetana could make them. To the point, indeed, where a really wholehearted performance must make non-Czechs feel somewhat excluded: we can bear that deep, folkloric chords are being struck, where we are only tourists.

We felt that even more with the Czecb Philharmonic, partly because the instrumental sound they cultivate - especially from horns, clarinets and bassoons - still retains the loamy "natural" timbres of Mittel-Europa.
Nevertheless the LSO played

up well. Bělohlávek is plain, firm and forthright with Má Vlast, and the London players matched him. There have been more artfully charming accounts of the Vitora riverscape ("The Moldau", as we used to know it, because Czech composers used to depend upon German publishers), but in the context of the whole cycle they would stick out uncomfortably.

Belohlávek rode the river swiftly and cleanly, letting Smetana's orchestral colours for the picturesque enisodes speak for themselves.

He made the Sarka tonepoem, abont a lethal Amazonian man-hater, unusually sharp and vivid, and with Tabor be forced us to bear just how stark and genuinely strange that piece is, as if Smetana had just discovered Mussorgsky's astonishing "Catscombs" in the Pictures and found his imagination enflamed.

Elsewbere, one sometimes missed the exotically homely sound of the Czecb band: It lent continuing appeal to all those places where Smetana felt the need to say exactly the same thing twice, or six or eight times, or - as in Vysehrad = 60 or 80.

By the end we were well hraced, and just a little hattered.

D.M.

INTERNATIONAL

■ ANTWERP

De Singel Tel: 32-3-2483800 Collegium Vocale: Philippe Herroweghe conducts Purcell's "Hail, bright Cecilia" and Humphrey's "Anthems". Soloists include Deborah York, Robin Blaze, Peter Kooy and Adnan Peacock; Spm; Nov 9

■ BALTIMORE

CONCERT Joseph Meyerhoff Symphony Hall Tel: 1-410-7538000 Baitimore Symphony Orchestra: with conductor David Zinman and panist ignat Solzhenitsyn perform Beethoven's "Piano Concerto No.2" and Shostakovich's "Symphony

No.8"; 8.15pm; Nov. 9, 10 ■ BARCELONA CONCERT

Palau de la Músico Catalana Tel: 34-3-3171096 Orquestra Filharmonia de Cambra de Barcelona: with

conductor Ernest Martinez Izquierdo perform works by Mozart; 9pm; Nov 29 Orquestra Simfònica de

Barcelona I Nacional de Catalunya: with conductor James Loughran and pianist Albert Guinovart perform works by Bernaola, Chopin and Dvorák; 9pm; Nov 10, 11 (7pm), 12 (11am)

BERGEN

CONCERT Grieghallen Tel: 47-55-216100.

Bergen Filharmoniske Orkester:
with conductor Yehudi Menuhin and cellist Leonid Gorokhov perform Grieg's "Two Elegiac Melodies", Elgar's "Cello Concerto" and Mozart's "Symphony No.39"; 7.30pm; Nov 9

■ BORDEAUX

DANCE Grand-Théâtre de Bordeaux Tel: 33-56 10 16 93 Elektra: by Theodorakis. In a. choreography by Jean-Charles Gil and performed by lcareus and the ballet of the Grand-Théâtre de Bordeaux (first performance): 8.30pm; Nov 9, 10, 12 (2.30pm), 13, 14

DETROIT

CONCERT Detroit Orchestra Hall Tel: 1-313-833-3362 Detroit Symphony Orchestra: with conductor Marck Janowski perform Schubert's "Symphony No.5" and Mahler'a "Symphony No.5"; 8pm; Nov 10, 11 (8.30pm), 12 (3pm) Detroit Symphony Orchestra: with

conductor Neeme Järvi, soprano layne West and violinist Maxim Vengerov perform the "Violin Concerto No.1" by Shostakovich and excerpts from Grieg's "Peer Gynt"; 8pm; Nov 30; Dec 1 (10.45am), 2 (8.30pm)

DUBLIN CONCERT

National Concert Hall - Geoláras Tel: 353-1-6711533 National Symphony Orchestra: with conductor Albert Rosen and planist John O'Conor perform the overture to Mozart's "Die Zauberflöte", Brahms' "Piano Concerto No.1", Prokofiev's "Symphony No.1" and R. Strauss" "Der Rosenkavalier Suite": 80m; Nov 10

■ FRANKFURT EXHIBITION

Städelsches Kunstinstitut Tel: 49-69-605098-115 Dar Holzschnitt (The Woodcut): a selection of woodcuts and illustrated books from the lifteenth to the twentieth century. Works by Dürer, Titian, Gauguin, Munch, Kirchner and others; from Nov 9 to Mar 3 Wege zur Abstraktion (Roads to Abstraction): sculptures from the

museum collection by artists such

as Rodin, Renoir, Archipenko, Calder

Jan 28 **LONDON**

and Beuya; from Nov 22 to

CONCERT Queen Elizabeth Hall Tel: 44-171-9604242

 Academy of St. Martin in the Fields: with conductor Kenneth Silito and guitarist Pepe Romero perform Mozart'a "Symphony No.33", Pudlak'a "A Winged Creature" (first performance) Rodrigo's "Concerto de Aranjuez" and Mandelssohn'a "Symphony No.4 (Italian)"; 7.45pm; Nov 9 London Mozart Players: with conductor Matthias Barnert and clarinettist Emma Johnson perform works by Ravel, Mozart, Strauss. Takemitsu and Haydn; 7.45pm: Nov 29

St. Martin-in-the-Fields Tel: 44-171-8398362 • The Feinstein Ensemble: with conductor Martin Feinstein perform Vivaldi's "The Four Seasons" and works by Bach; 7.30pm;

EXHIBITION National Gallery

Tel: 44-171-7474885 In Trust for the Nation: Paintings from National Trust Houses: as part of the National Trust's Centenary Year celebrations, a selection of paintings shown in National Trust houses will be brought together for the first time as an exhibition; from Nov 22 to Mar 10 Royal Festival Hall Tel: 44-171-9604242 German Photographs of the 1930s; from Nov 22 to Jan 14

■ MUNICH

CONCERT Philharmonie im Gasteig Tel: 49-89-48098506 Münchner Philhermoniker: with conductor Günter Wand perform

Bruckner's "Symphony No.5"; 8pm; Nov 29, 30

■ NEW YORK AUCTION

CONCERT

Sothebys Tel: 1-212-606-7000 The Joseph H. Hazen Collection of Impressionists, Part Two: including works by Van Gogh, Leger, Picasso and Kandinsky; 10.15am &

Alice Tully Hall Tel: 1-212-875-5050 Guarneri Quartet: with pianist John Browning perform works by Mozart, Stravinsky, Turino, Wolf and Brahms; 8pm; Nov 29 Carnegie Hall Tel: 1-212-247-7800 Chicago Symphony Orchestra: with conductor Daniel Barenbolm perform "Elektra" by R. Strauss (concert performance). Soloists are

Ute Priew, Falk Struckmann and Reiner Goldberg, 8pm; Nov 9 New York State Theater Tel: 1-212-875-5570 Cinderella: by Rodgers and Hammerstein. Roh Fisher conducts the New York City Opera; 6.30pm; Nov 9, 10, 11, 12, 14, 15, 16, 17,

Deborah Polaski, Alessandra Marc,

OSLO

18, 19

DANCE Norske Opera Tel: 47-22-429475 Three Ballets: the Norwegian National Ballet with tha choreographies "Four Temperaments" by Balanchine, "Women Song" by Sund and "La Ronde" by Tetley. Conductor is

Emmano Slorio; 7.30pm; Nov 9, 10, 11 (6pm), 13, 14, 17, 18 (6pm)

PARIS CONCERT

Saile Pleyel Tel: 33-1 45 61 53 00 Orchestre de Paris: with conductor Günther Herbig and pianist Evgeni Kissin perform Tchalkovsky's "Piano Concerto No.1" and Dvorák's "Symphony No.8"; 8.30pm; Nov 29
Orchestre Philharmonique de Radio France: with conductor Alexandre Lazaref and cellist Truis Mörk perform works by Prokofley and Rimsky-Korsakov; 8pm; Nov 10

 La Réserve: drawings and engravings from the 16th to the 29th century; from Nov 22 to Fab 19

EXHIBITION

Musée du Louvre

Tel: 33-1 40 20 51 41

■ VIENNA CONCERT Konzerthaus Tel: 43-1-71246860

 St. Petersburg Philharmonic: with conductors Mariss Jansons and Yuri Ternirkanov and violinist Vadim Repin perform works by Mussorgsky, Shostakovich, Prokofiev, Tchalkovsky and Rimsky-Korsakov; 7.30pm; Nov 9,

■ WASHINGTON

CONCERT Terrace Theater Tel: 1-202-467 4600 Brian Ganz the plantst performs works by Chopin and Schubert;

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Edward Mortimer

step. It is linked by language

to central Asia and the Cauca-

of vital importance. It is one

of the few democracies in the

Moslem world, and the only

though an Islamic opposition

party, capitalising partly on Europe's stand-offish attitude,

is now mounting a serious

All 15 EU member govern-

are satisfied that the customs

union is in the EU's interest.

In a parliamentary democ-

racy, they would simply whip

their supporters into line to

vote for it. As it is, the result

of the vote is in serious doubt.

MEPs are focusing, not on the

overall political and economic

impact the union would have

on European interests, but on

the specific issue of Turkey's

buman rights record.

avowedly secular one

A Turkish opening

A rebuff by the European Parliament at next month's vote on a customs union could be a serious setback for human rights

The European Parliament is more like the US Congress than the House of Commons. It has no governing majority, and not much party discipline. Of course it is nothing like as powerful as Congress, because national governments, represented in the Council of Ministers, have kept legislative and revenue-raising power mainly

But the parliament does have significant powers, espe-cially since the Maastricht treaty, and it struggles constantly to assert those powers against the council, much as Congress does against the

One power enjoyed by parliament in most democracies and now also by the European Parliament, is the right to ratify external treaties. This is not usually a problem for governments in parliamentary democracies, except in extreme cases (like Maastricht itself in the UK) where the governing party is split and feelings run so high that some MPs are prepared to risk bringing down the government. But it is a constant problem for the US government which has no disciplined parliamentary majority. It is also becoming a problem for the EU - for example over the customs union with Turkey.

The principle and timetable of this union were actually agreed 25 years ago. Final terms were settled between Turkey and the governments of all 15 EU members on March 6 this year. The technical arrangements were examined at a further meeting last week and found to be all in place. The customs union should come into force on January 1. All it needs now is the European Parliament's approval. A vote has been scheduled for December

Turkey is already the EU's 10th biggest trading partner. For 22 years it has had free access to the European market for all industrial goods and processed foods, except

leaves much to be desired. most generous given to any third country); but it still The Turkish army is fighting levies import taxes which cost a savage war against the Kur-European exporters \$1.5bn per distan Workers' Party (PKK) year. The customs union will in the south-east, in which hundreds of villages bave abolish these overnight. Turkey is also a stauncb been burned and thousands of western ally in a highly volacivilians arrested and beaten. sometimes to death. tile region on Europe's door-

Most Turks support the war. They distrust the PKK's public conversion to peaceful and sus. Its co-oparation during the Gulf war against Iraq was democratic methods, and its disavowal of separatism, as much as Ulster Unionists distrust similar professions from the IRA. But educated Turks are increasingly unhappy about the methods their army is using. The issue is more and more openly discussed in the media, including radio and television, which have been privatised and liberalised out of recognition in the past few

> Earlier this year, Turkey's parliament passed 16 amendments to the constitution introduced by the military regime in 1982. On October 27 amended the notorious Article B of the antiterrorism law, under which some 160 people bad been imprisoned for expressions of opinion. Most if not all will now be released.



Human rights pitch: Kurdish question is a central issue

The same week, two out of six imprisoned Kurdish MPs were released on appeal. The remaining four have taken their case to the European Court of Human Rights, wbose decision the Turkish government has promised to

While those are all steps in tha right direction, they fall short of what many MEPs. and many Turkish liberals, would like to see. Indeed Ms Pauline Green, leader of the largest political group in the European Parliament, described herself as "bitterly disappointed" by the decision on the Kurdish MPs.

What she and other MEPs have to ask themselves, how-ever, is not whether Turkey has jumped through all the legislative and judicial boops placed in front of it, but how their decision next month can affect things for better or

Human rights in Turkey depend ultimately on the growing weight within Turkish society of people whose education, standard of living, and contact with the rest of Europe make them regard human rights as an important yardstick of their country's performanca, Happily the number of such people has been growing steadily as a result of economic and social

Human rights, and the existence of a Kurdish identity within Turkey, are now much more central issues in Turkish politics than they were 10 or

even five years ago.
The customs union should give a further boost to that rend. A European rebuff to Turkey, 10 days before a scheduled general election on December 24, could be a severe setback.

The column "A duty to med-dle", published here on October 24, was a highly condensed ver sion of my pamphlet "A Few Words On Intervention", avail able from the John Stuart Mill Institute, 1 Whitehall Place London SW1A 2HE. £6

·LETTERS TO THE EDITOR·

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to fine]. e.mail: letters.editor@fi.com Translation may be available for letters written in the main international languages.

Smartcard a modest player in monetary system

From Prof K. Alec Chrystal. Sir, Re Giles Keating's Personal View (November 2), it is impossible to be certain about the full implications of new technology, but it is likely that his vision of the impact of

what he calls "e-money" will be well wide of the mark. For a start, he is talking not abont e-money but about e-currency, that is, new smartcards which substitute for banknotes. The vast bulk of cross-border (and indeed domestic) payments already takes place via electronic money, in the form of exchange markets are dominated by interbank dealers who can move vast sums at virtually zero transaction cost

Even dramatic changes in retail currency transactions would have little effect on exchange rate determination. Indeed, if transaction costs are really virtually eliminated this would make us bold less money in general, not more of a different

In reality, smartcard technology will have, at most, a small impact on the currency denomination of wealth holdings. This is because the proportion of wealth held in cash is tiny anyway. Smartcard balances

almost certainly be non-interest bearing so will represent a small and temporary abode of purchasing power. Most liquid wealth will continue to be held in

interest-bearing deposits or securities. International interest differentials on these assets adjust to offset expected exchange rate changes, so that any potential flight between currencies rarely leads to a flood. Speculators don't invest in cash!

Individuals may find smartcards a convenient substitute for banknotes, travellers cheques or eurocheques, but only if transaction costs (including foreign exchange spreads) really are much lower. However, companies will never be using smartcards to hold their working balances of diverse currencles. Existing on-line computer technology is much more efficient and considerably safer.

Smartcard technology could have a significant impact on the desired ratio of cash to bank deposits in the money supply. However, M4 is already close to 30 times bigger than M0 and smartcards will merely continue the upward trend. Smartcard technology will have some impact on the monetary system but this has

little or nothing to do with the desirability or timing of the introduction of a single K. Alec Chrystal, professor of monetary

economics, City University **Business School** Frobisher Crescent. Rarbican Centre.

Strife and dispersion must not be repeated

From Mr Gary Levinson. Sir, After getting over the shock of Yitzhak Rabin's assassination I realised the present absurdity - even perversity - of the concept of "us and them". Until now, it was straightforward: for Jews "them" has always been the Arabs, and "us", other Jews. Israelis find themselves today however, in a situation where some of tha "us" are Arabs, the Arabs for peace, and some of "them" are Jews, Jews against

At the time of the fall of the Second Temple, 2,000 years ago, internecina strife kept Jews from uniting and making a stand against the Roman Empire, resulting in the scattering of Jews all over the world. Israelis and Jews everywhere must bope that this is not the beginning of a fall into such internal strife, and a new Jewisb dispersion.

Gary Levinson, managing editor. New Renaissance. Weisenaner Weg 4, 55129 Mainz. Germany

Magnet for speedy alternative travel

excess of 500mph, is a hard sell

From Mr Hugh Douglas. Sir, Your article, "In the path of a speeding train" (November 3) on high-speed rail competing with short-haul airline travel did not mention magnetic levitation (Magley) trains. This new technology is being used by Germany to build a system between Berlin and Hamburg, and will eventually connect all its leading cities. Switzerland is also considering linking its cities by Maglev operating totally underground to increase potential speed.

High-speed rail has reached the maximum speed limits of flanged-wheel technology. Magley, which can travel in

because an inherent institutionalisation" of railways creates resistance to a new technology. New technology is usually more expensive than the old. Innovation brings costs down and over time engineers understand design costs better. The Chunnel Follies missed

an opportunity by not having built a Maglev train which would have made the trip from London to Paris in only one hour. The existing railway rights of way could have been used and the Kentish folk could not object to a faint whisper as a Maglev train sped through their countryside.

There is a need to reduce short-haul air travel both because of over-crowded skies becoming dangerous and short-haul passenger flights are not money spinners. Airlines such as USAir are investing in Maglev concepts because this will release valuable slots at airports, and they will still make money on the alternative for short hauls. Indeed, the money spent on a third airport for London or

expansion of Heathrow may better be spent on Maglev. Hugh Douglas,

80 Austin Drive 18, PO Box 1092, Burlington VT 05402, US

Aspects of legislation for the disabled

From Mr Alistair Burt. Sir, While I welcome the attempt to explain the UK's Disability Discrimination Act. the "FT guide to" which you printed on November 6 contained a number of factual

 It will be unlawful for any business, whatever its size, to discriminate against disabled

 The act does not cover people with conditions that have little or no effect, but it

does cover people with any

impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities.

 The act provides for the National Disability Council to be as independent as the Equal Opportunities Commission or the Commission for Racial Equality.

People with a history of

disability - including substantial mental problems are covered by the act. The government is

committed to providing clear guidance on the act and any subordinate regulations. There will be a special guide on the definition of disability, and especially what will be regarded as "substantial" effects. There will also be codes of practice.

Alistair Burt, minister of state, Department of Social Security, Richmond House, . 79 Whitehall. London SW1A 2NS. UK

Kenya prepared to co-operate with tribunal on Rwanda

From Dr S.J. Kosgei. Sir, I would like to correct a

misapprehension that may have arisen from Michela Wrong's article "Defiant Kenya s running out of steam (October 25) in which she claims President Moi "has refused to co-operate with an international tribunal on

This is not the position. President Mm has made it clear that Kenya is fully prepared to co-operate with the tribunal in Rwanda to ensure

justice is applied to all and the root causes that led to the genocide are addressed comprehensively. Perhaps Ms Wrong is confusing Kenya's position on tha tribunal with

that of the government of Rwanda, which voted against the establishment of the international tribunal at the general assembly. As far as Kenya is concerned, the tribunal should start its work. It should also

concern itself with the position of those currently held.

without trial, in Rwandese prisons.

Many thousands of refugees, including Sudanese and Somalis, have sought safety in Kenya over the years. The president of Rwanda lived in Kenya between 1982 and 1990 under such circumstances. Kenya does not welcome this situation but is prepared to honour its international obligations to these unfortunate people. If the tribunal, the

government of Rwanda, or

seeking the support and assistance of the United Nations high commissioner for refugees for their removal. S.J. Kosgei.

permanent secretary, Ministry of Foreign Affairs and International Co-operation, Nairobi, Kenya

anyone else requires that

Rwandese refugees should

be adhered to - namely

leave Kenya against their will,

the correct procedures should

Technology · Peter Marsh

Through a glass darkly

Two US companies which manufacture glare-reducing car mirrors are locked in a patents battle

The split second of blindness when light from the headlamps of a car behind is reflected by a rear-view mirror is the curse of night-time driving and the

cause of many crashes.
Tha danger posed by such temporary blindness has boosted the fortunes of two US companies which make special mirrors that reduce the glare. Gentex and Donnelly, both based in Michigan, are competing to woo more of the world'a top carmakers to the idea that electrochromic mirrors are a worthwhile safety extra.

Tha two companies have become locked in a fierce marketing battle for a global market estimated to be worth about \$100m this year. But their rivalry has been intensified by a series of disputes over natents, with each company claiming tha other has infringed its rights over the complex technologies used in the mirrors.

Electrochromic mirrors contain a special light-sensitive layer that darkens when exposed to light, so reducing the reflectiveness of the mirror. They are mainly fitted internally, although in some top-of-the-range cars they are also fitted ontside the car in place of conventional mirrors on door frames. They can cost up to \$75 each - up to four times as much as a conventional car mirror - and feature

mainly in executive cars made by companies such as RMW. General Motors, Ford and

In the marketing battle, Gentex has a big lead, claiming about 90 per cent of the world market for electrochromic mir-rors, with Donnelly's products comprising almost all the rest. Gentex believes it will make about 2m of these mirrors this year, with slightly more than three quarters of them for use inside the car.

About 85 per cent of Gentex's mirrors are sold to US-based carmakers. However, the company expects to see more of its output going to Japanese and European car companies over the next five years as they become more interested in fitting them.

Although it has a smaller share of the market for electrochromic mirrors, Donnelly is a bigger company, with a range of other antomotive parts activities. It is thought to be the world's leading maker of conventional interior mirrors for cars and has recently established a foothold in continental Europe through taking over Hohe, a big German mirror-

Much of Donnelly's technological expertise is a result of work at its mirror plant at Naas in the Irish Republic, where it has developed new ways to bend glass to the shapes needed for the mirrors. It has also come up with novel techniques to coat the glass with the chemicals which form the electrochromic layer.

In the disputes over patents which stretch back to 1990.

Gentex appears to have won



the upper hand. In 1993 a US district court ordered Donnelly to pay \$2.2m in damages to Gentex on account of a patent infringement, while in September this year another US court ruled that two Donnelly patents related to its type of electrochromic mirrors were

However, Donnelly hopes that a further dispute - over its technique for bonding the various parts of its mirror assembly - will be settled in its favour in another court judgment dne next year. Donnelly is claiming \$15m damages from Gentex over this

While neither Gentex nor Donnelly wants to go into too much detail about how the mirrors are made, it is thought both companies use similar

In the Gentex system, the electrochromic material con-sists of two sheets of glass with a thin layer of chemical gel sandwiched between them which is sensitive to light. The inside surface of each sheet of glass is coated with a thin transparent conductive coating. This sandwich structure forms a vertical layer next to a conventional silvered mirror

The mirror system also contains two light sensors - one looking forward and the other backward. The forward sensor takes note of ambient light lev-als, causing the backward sensor only to come into use at night or in dark conditions. When the rear-facing sensor detects light from the glare of a following headlamp, it emits an electrical signal in proportion to the level of glare detected.

Circuitry in the system works out how much the mirror's reflectiveness needs to be reduced - which is adjusted by a slight darkening in the electrochromic layer. When the glare goes away the voltage is decreased and the layer

returns to its normal state. Gentex says its sales of electrochromic mirrors bave grown about 25 per cent a year over the past five years and it foresees similar growth in the remainder of this decade. Donnelly is also forecasting a steady expansion in sales and says it has made adjustments to its processes to avoid spe-

cific patent problems. According to one Donnelly executive, a quarter of all new US cars could come with an electrochromic internal mirror by the end of the decade, compared with about 10 per cent

contact: The Wholesale Showroom, 165 Regent Street, London W1R 84S.

Telephone: 0171-734 5929.

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S.G. Warburg

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday November 8 1995

Granting the right to shop

recently that overcoming Germany's atructural weaknessea would mean becoming a nation of risk-takers. The government took a step towards this vision yester-day in finally agreeing some change to the country's archaic shopping bours. After all, he who would take risks must first be assured that the ahops will be open when be gets bome.

dichsive

A approved

The agreement finally hammered out yesterday by the Chris-tian Democrats and their coalition partners, the liberal Free Democrats, will still mean that German shops are closed more often than in most European countries. But hy German standards the new deal is indeed, in the words of Mr Gunter Rexrodt, the economics minister, a "giant step forward". It is a testament to Germany's

enduring bias towards producers rather than consumers that consumers' complaints about the old system have been ignored for so long. Only last year, Mr Rexrodt was forced to give up his cam-paign for more liberal hours, because of fears that it would alienate small shopkeepers ahead of the October election.

Yesterday's vigorous denuncia-tion of the reform hy HBV, the retail, banking and insurance union, shows that many have yet to be won over by Mr Rexrodt's latest and more cautious campaign for change. By and large, however, both Mr Kohl and his Christian Democrat colleagues -

reform in the past - realised that economic realities and consumer pressure made some degree of relaxation unavoidable.

First among those economic realities is unemployment, which was yesterday announced to have risen to 3,525,800 in October, nearly 80,000 higher than a year ago. Germany's leading unions are beginning to show greater awareness of the consequences of their actions for employment. But in the long run, the largest potential job gains lie in the over-regulated and undervalued - service sec-

tors of the economy.

The IFO, an economic research institute, argued in a report published during the summer that allowing shops to stay open a fur-ther three-and-a-half hours on weekdays, and four hours on Saturdays could inject DM20bn - and 50,000 more jobs - into the retail sector. The effects of yesterday's agreement will be rather more modest, particularly if, as many predict, rural shopkeepers stick doggedly to their old habits. Mr Kohl may be right that creat-

ing many more jobs in Germany mean taking greater risks. But the government will have to go a lot further towards deregulating Germany's service sectors before many are likely to follow his advice. And achieving this, in turn, will mean Mr Kohl himself risking more hostillty from so far seemed willing to endure.

This sporting life

Two blg deals by Rupert Murdocb's television channels this week raise the question of the right to broadcast sport. The BSkyB satellite network in Europe is now close to acquiring rights to rugby union's Five Nations championship, in which England, France, Scotland, Wales and Ireland compete. And on Monday Fox, News Corp's terrestrial televi-sion network in the US, acquired the lion's share of the rights to US

major league baseball. The zest with which big broadearlier this year Mr Murdoch launched what was in effect a takeover bid for an entire sport. rugby league - has caused some concern. This is strongest when, as in BSkyB's transmission of golf's Ryder Cup, coverage is con-

fined to a subscription channel. Some people argue that big sporting events are a nation's communal property and should be free to all broadcasters, especially those thal do not charge the viewer. Others argue that it is wrong to interfere in a sport's abilily to sell its rights to the highest bidder - and if that means

a subscription service, so be it. Who is right? It is hard to deny that there are a (very) few key sporting events for which individual governments may wish to legislate open broadcast access. In most countries, sport is an element of "civil society" which it is wrong to remove entirely to pri-

For similar reasons, there is a strong case for a rule that allows up to, say, two minutes of extracts of any televised sporting occasion to be broadcast on news programmes on rival channels.

Beyond that, sporting organisa-tions should be free to sell their rights to the highest hidder, as long as they do so in a way that is both fair and reversible. That means they must conduct free, open, advertised auctions of rights for a restricted period, say a maximum of four years. They should avoid deals that give the primary rights-purchaser undue influence over others, for example by allowing a subscription purchaser to control the sale of rights to terrestrial channels. The Five Nations deal raises questions here.

There is no general right to watch sport for free, and nothing to stop broadcasters using sport as an important scheduling tool. There is also nothing wrong, in principle, with private ownership of sporting organisations, as is common in the US.

However, where voluntary bodies have built up a sport over the years, governments may wish to ensure that this communal inheritance is not being traded in a way that will benefit those currently controlling the game at the expense of future participants and spectators. On this issue, as on the fair-trading point, the emphasis should be on the practical conditions of the deal and the process hy which it was agreed.

French shuffle

Less than six months after he appointed his first cahinet, France's President Jacques Chirac has dissolved it, and asked his prime minister, Alain Juppé, to form another.

One might be forgiven for thinking the move a bit hasty. But the track record of the government so far has been thoroughly uninspiring, and the need for a shake-up s obvious. Both Mr Chirac and Mr Juppe have seen their personal popularity slump in the polls. On the two biggest challenges facing the government - curbing its budget deficit and tackling the stubbornly high unemployment rate it has appeared indecisive and

The reshuffle unveiled by Mr Juppe last night looks like a step In the right direction. It appears to be confirmation of the new determination revealed by Mr Chirac on October 26, on his return from meeting Chancellor Helmut Kohl ln Bonn, when he declared his inlention to bring public spending

under strict control. That promise of new rigour, once espoused by his presidential nval, Mr Edouard Balladur, has been underlined by the appointment of three Balladuriens to the new cabinet. They ioclude Mr Alain Lamassoure, the former European affairs minister, as budget minister. Their arrival should both broaden the political base of the cabinet, and strengthen those committed to budget discipline.

The second important move is he extension of the portfolio of Mr Jacques Barrot, the labour

minister, to include the wbole area of social security. Next week the government is set to unveil range of social security reforms, including an increase in hospital charges, designed to curb welfare spending. This will enable Mr Barrot, one of the more successful ministers in the first six months, to bring more coherence to this sprawling area of the budget. None of the top ministries has been changed, with Jean Arthuis

remaining at finance, Hervé de Charette at foreign affairs, and Jean-Louis Debré at the interior ministry, where he is locked in the overnment's ongoing anti-terrorist campaign. To sack any of them might have smacked of panic. But Mr Juppé has taken the opportunity to streamline his government by reducing the overall number of

ministers. The real test of this new rigour will come next week, when the detailed social security cuts are unveiled. The past two years alone have seen accumulated deficits of some FFrs120hn, which have pushed the overall budget deficit to more than 5 per cent of gross domestic product. It also remains to be seen bow much power Mr Lamassoure will have to curb

spending as budget minister. The reshuffle will give Mr Juppé a second chance, after a disappointing first effort. His moves have clearly pleased the markets. But if he cannot impose more discipline on his colleagues that time round, Mr Chirac is too shrewd a political survivor himself to give him another opportunity.

The changing of the guard

Sweeping changes have shaken up the culture and practices at SBC Warburg since its takeover four months ago, says John Gapper

office at the headquarters of SBC Warburg, wishing were lower down. Four months after Swiss Bank Corporation took over the UK's flagship investment bank, the room has a half-occupied tion: on the seventh floor - dubbed the "Ceausescu wing" - rather than near the fifth-floor trading room.

Around the corner is the office of Sir David Scholey, the leader of tha old guard who used to run Warburg before it was swallowed up by SBC Since then, there has been turmoil. Some 300 employees of tha merged investment bank have defected to other banks, prompting gossip of Warburg's disintegration. SBC War-burg has also been hit by internal conflict as unresolved tensions were

brought to the surface. Mr Ospel, the 45-year-old Swiss chief executive who will become chief executive of the whole of SBC next May, yesterday tried to draw a lina under these tronbles by appouncing a new investment banking board composed mainly of younger faces. It will no longer be chaired by Sir David, and other vet-erans of S.G. Warburg are also leaving it. It is a symbolic act, intended untainted by mistakes of the past, is in charge.

Defections and upheaval at an investment hank taken over hy another are common. Investment banks are full of brokers and corporate financiers whose egos are frag-ile, and who can often find jobs elsewhere. This trauma was also accelerated at SBC Warburg, where Mr Ospel decided to cut 1,000 of the 11,500 staff within a month of merging. But the level of tension took him and others by surprise. One member of the 15-strong

executive board which manages SBC Warburg says that S.G. Warburg was "a sick firm that had to be healed". He says SBC "perhaps trusted some of the senior managers that were in place a little too much" at first in seeking advice on bow to handle things. It transpired that many younger staff wanted a clear-out at the top.

The nickname for the seventh floor - after the former head of state in Romania deposed in 1989 after presiding over the economic ruin of his country - indicates the hitterness. After S.G. Warburg failed to pull off a merger with Morgan Stanley last December, it seemed unable to survive alone and younger employees became resentful at what they saw as the mismanagement during the 1990s.

"It was rocky for a time," admits Mr Ospel, a calm, analytical figure who has tried to introduce management disciplines that S.G. Warburg lacked. He seems a little shaken at the reaction. Among the senior figures who departed were Mr Mark Seligman, head of S.G. Warburg's advisory business. Mr Ospel says there was only a handful whose departure he regrets; others could see their role would be diminished.

He says the worst is over. "There are a few areas where we are facing problems, hnt by and large we should be pleased at where we are," he says. Yet SBC Warburg continues to face a problem in customer defections. Many of those quitting its corporate advisory husiness have long-standing relationships with large companies, which in turn could follow them to new banks.

It has already lost some. Burton, the clothes retailer, has replaced it with Schroders as an adviser, and

other companies have dispensed with its services as a corporate hroker. SBC Warburg itself estimates that it has lost seven and gained seven customers since the acquisition. But one executive admits there are likely to be further departures among its customers following the staff defections.

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At least one member of the old guard does not regret the departures of old-established names at Warhurg. That is Mr Henry Grunfeld, the 92-year-old co-founder of S.G. Warburg. Mr Grunfeld is still coming to the office, and says his advice as a "father confessor" has been in demand since July. He is hriskly dismissive of some star names who have departed.

"Some of those who left will not be missed," says Mr Grunfeld firmly. He insists some had exaggerated ideas of their own importance. Of one executive who left he says: "He was an unguided missile. He wanted to be head of investment banking. It was the most ridiculous

Sir David Scholey has remained as chairman until now, but yesterday stepped down and was replaced by Mr Hans de Gier, a member of the SBC executive board. Sir David has been given a role as chairman of SBC's council of international advisers. "We had to show internally that room was being made for younger people," says a senior figure from S.G. Warburg.

Yet the upheaval is a signal of more than amour propre among veterans and the release of tensions. It also stems from Mr Ospel's attempt to manage the firm in a fresh way. and organise everything differently, from how executives are paid to the way it handles customers.

Much of the impetus comes from former partners of O'Connor, a Chicago derivatives firm taken over by SBC in 1991. Andy Siciliano, the 34year-old head of foreign exchange, and David Solo, the 30-year-old bead

of fixed income, are former O'Connor partners who are now playing a central role in transformog Warburg.

O'Connor huilt Its reputation and profits from using the latest mathe-matical techniques to price and trade futures and options. Dominated by young mathematics and engineering graduates, it was run as a partnership. Bonuses were shared out evenly rather than allocated disproportionately to stars, or to particularly profitable departments. Mr Ospel now wants to introduce a similar system at SBC

O'Connor also stressed having precise figures on the profitability of its lines of business and its cus tomers. This highlighted which were its best customers, and which ones should be targeted, to aell more products. S.G. Warhurg had only a hazy idea of such things, relying on maintaining relationships with companies in the hope that eventually it would gain a profitable transaction.

This meant opportunities were missed. Mr Rory Tapner, head of equity capital markets, saya S.G. Warburg was surprised to find after the takeover that 66 of its 140 merchant banking customers had given husiness to SBC as well. Mr Tapner says Warburg "did not have what it takes" to execute some types of financing. It was not innovative enough in baving ideas, rather than relying on long-

standing relationships. "Some of the customers could see which banks were coming up with ideas and which weren't, and they were saying to us: 'You need to do more' says Mr Tapner. SBC War-burg bas belatedly followed US investment banks in grouping its advisers in specialist teams, in con-trast to its former system of relying

on generalist stars. Mr Siciliano argues that SBC Warburg can no longer rely on pure advisory work, waiting for companies to make rights issues or pay for advice. "The future looks pretty bleak for those that are pure advis-ers," he says. Instead, he says, SBC Warhurg must sell foreign exchange services or underwrite bonds for companies that have used it only as a strategic adviser in the past,

do not want wider services? Mr Ospel says SBC Warburg explain that it needs to sell more products to make a profit. "Il is a matter of making it transparent, so thal both sides are properly rewarded by the relationship," he says. He insists that SBC Warhurg would not arbitrarily freeze out a customer that was not providing an adequate return before giving its new approach long enough to work. However, some customers have already seen a more analytical approach to husiness. For a decade, S.G. Warhurg has acted as merchant bank adviser to some companies, and corporate broker to others. The twin roles came from the merger in the 1980s of S.G. Warburg and Rowe & Pitman, the broker. Its corporate brokers have been cautious about selling other products, not wanting to offend the customers' merchant banks.

Mr Ospel says a traditional approach to corporate broking may have "stood in the way of expand ing our relationships into other areas" in some cases. Yet SBC Warburg has already been dropped by a few of the 260 companies to which i is broker. If others are disturbed by a more active approach and also leave, it will have to compensate hy making more money from the remaining advisory customers.

From Mr Ospel's perspective, such niggles to some extent miss the point. He is not attempting simply to preserve the strong UK business of S.G. Warburg. Instead, be is creating a global investment bank. He is trying to use its broking strength in Asia to create far stronger advisory and equity underwrit-ing. He is also likely to bolster its US arm either by recruiting, or by buying a US investment bank.

Seen in sucb a context, the unheaval of the past months is less slgnificant. It seems like a local upset among some talented employees who no longer felt appreciated. Yet if they take other customers with them, SBC's attempt to capture S.G. Warburg will look somewhat shaky. Mr Ospel must hope the turmoil is over now that so many of the old regime have gone.

OBSERVER ·

'Net lands big catch

Forget Windows 95 and that summer summit with Jiang Zemin of China. Ignore the Leonardo and even this week's acquisition of cyber-rights to the Hermitage collection in St Petersburg. Bill Gates has just pulled off the ultimate coup. He has persuaded Michael Kinsley to swap Washingtons - and relocate from the nation's capital to that other more westerly place that Microsoft

Even more remarkably, Kinsley, perhaps the staunchest defender of liberal values in the US media, is moving off the leader page, going off air. He will edit a new journal of political and social commentary thich will appear only on the Internet's World Wide Web.

Plans for the new cyber-rag are still vague but if anybody can put much needed quality on the 'Net it is probably 44-year-old Kinsley. He may be best known for his

five times a week shouting sessions at the likes of Pat Buchanan on the CNN slugfest called Crossfire. But he has also built a formidable journalistic reputation as a columnist, and from his stints as editor of both the New Republic and Harper's as well as his time at

Like Gates, he went to Harvard and then got another degree from Oxford. But it was Kinsley who

sought out Gates, a Harvard drop-out, some months ago when he read a news story that Microsoft was looking for a "big-time editor". market for his services.

So how will the denizen of the east coast talking shops make out over on the shores of Puget Sound? "I'm sure I'll be asking that question as I stare out at the rain," he remarked to the Washington

No sex please

Prophylactic measures, please, at the Overseas Development Administration, to avoid a re-run

of this little mistake. A well-meaning offshoot of the UK Foreign Office that is likely to see its spending power curtailed yet further after the budget, the ODA has managed to lose £100,000-plus from its meagre £3.2bn hand-out in the course of a

single project.

The case involves a shipment of 25m condoms to Zimbabwe in the cause of "health and population" assistance". Sadly, the family planning aids were, as the National Audit Office's latest report reveals, found to be less than perfectly

Flushed faces initially put the cost of the damage at £300,000. But that was later cut down to size -285,000 - after hard bargaining with the contraceptive manufacturers.

the defective condoms would slide back on to the market. So it went to further lengths - £17,000, since you ask - putting the menacing little objects into storage.

But then the ODA fretted that

Invasive

■ Istanbul's biennial art show, which kicks off this Friday, would hardly be complete without the British Council's contribution of what It calls "a feast" of British artists, set to include a couple of Mona Hatoum pieces. Surely not that work, though? No, Corps Etranger - the 12-minute odyssey of a surgical probe in each and every orifice of Hatoum's body - is wisely being left behind. Instead. there is a suitably Islamic creation entitled Prayer Mat. But what to make of the other one? Pin Carpet, a vast bed of nails, is perhaps an unduly political statement, given Tansu Ciller's precarious position ahead of pext month's general

Mental cruelty

A colleague receives a communication from South African fund managemen1 group Syfrets's UK subsidiary.

It starts off very promisingly indeed. "Ws'd like to invite you to be our guest at the England v. South Africa rugby union international game on Saturday

18th November..." It is the back end of the sentence that leaves something to be desired. "... but unfortunately we haven't got any tickets". Exclamation mark. That by way of introduction to a South African wine tasting.

Wonder how the investment performance reports read. "We'd have liked to have doubled your money... but unfortunately we've wiped out 90 per cent of your capital"?

Browne study

■ These days few chief executives seem prepared to pop their heads above the public parapet without prepared speeches, slick slides and back-up information packs. How refreshing then to find John Browne, British Petroleum's new head honcho, standing up at lunch vesterday to talk about his company's third-quarter results armed only with some jottings on the back of an envelope.

However, he is still not in the ame league as Richard Branson, Virgin's bearded boss. He is known to jot notes to himself on the back of his hand.

Below par

■ The captain's report of a Kent golf cluh notes that the secretary recently met the local crime reduction officer - "previously called a crime prevention officer".

"Financial Limes

50 years ago Nationalisation plans

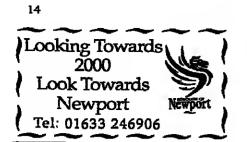
The Government has elaborated an extensive timetable concerning the application of its programme of nationalisation.

The Bank of England Bill is now definitely expected to become law this year. Among other measures, the Imperial Telecommunications Bill and possibly the Coal Nationalisation Bill are expected to be introduced before Christmas, but neither of them is likely to be passed in all their stages before early next year.

The programme for 1946 is understood to include the nationalisation of transport; the nationalisation of civil aviation announced last week forms part Gas and electricity

undertakings are also expected to be nationalised next year. On the other hand it seems unlikely that the iron and steel industry will be nationalised before 1947. These are fairly well down on the list of industries to be nationalised and others will take their turn before them.

The time limit for submitting petitions to the Select Committee on the Bank of England Bill expired yesterday without any petitions being presented.



FINANCIAL TIMES

Wednesday November 8 1995

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Retail union fears move will bring 11,000 job cuts

Germany agrees to let shops stay open longer

By Michael Lindemann In Bonn

The German government yesterday agreed to let sbops open until 8pm on weekdays and 4pm on Saturdays, marking a victory for consumers frustrated by some of the world's most restrictive shopping bours. At present, under a 1956 law,

German shops must close at 6.30pm on weekdays other than Thursdays, when they can stay open until 8.30pm. Closing time on Saturdays is 2pm, with longer opening oo the first Saturday of each month.

Under the agreement ebops will be allowed to trade from 6am until 8pm on weekdays and between 6am and 4pm on Saturdays. Germany's 16 Lander or states will be allowed to adjust Saturday opening bours two hours either side of 4pm.
The issue has been hotly

debated for years and yesterday the HBV union, which claims to represent 300,000 retail workers. riticised the plan.

Even fewer and worse pro-

By Kenneth Gooding,

Mining Correspondent

The Overseas Private Investment

Corporation, a US government

agency, has cancelled \$100m

worth of political risk insurance

on one of the world's biggest cop-

per and gold mining projects on the island of Irian Jaya, Indon-

Freeport-McMoRan Copper &

Gold, the New Orleans-based nat-

ural resources group, has spent

more than \$2bn on the project so

far, and earlier this year RTZ of the UK, the world's biggest min-

ing company, invested \$500m for

an 11.8 per cent stake in Free-

port. RTZ also promised a further

\$850m for more exploration and

development of the vast Grasberg

Opic, which provides insurance

doing business overseas, told

Freeport in a letter signed by Mr

Robert O'Sullivan, associate gen-

eral counsel for insurance and

cing to US companie

tected jobs and more stress and pressure to perform will be the result," said Mrs Franziska Wiethold, a senior union official.

"If these plans become a reality it will lead to another wave of shop closures and job shedding because of extended opening

The HBV said it would collect signatures against the government's plans and would organise a demonstration in Bonn to protest against the feared loss of 11,000 jobs because of the unlikely to be able to scrittle the extension of shopping hours. Mr Gunter Rexrodt, the economics minister who has been pushing for the liberalisation of shopping bours, described the

He said: "We have reached agreement after years of bitter and partly ideological discussions." Mr Rexrodt is from the liberal Free Democratic party. Mr Norbert Blüm, the labour minister who had led the Chris-

US agency cancels \$100m

risk cover on mine project

claims, it was withdrawing cover

as production at the mine had

been doubled from the agreed

This had resulted "in the mas-

sive deposition of tailings [waste]

in the Ajkwa River and the sheet

flow of tailings that has degraded

a large area of lowland rainforest

between the Ajkwa River and

Minaleri River. These and other

effects of the project have posed

an unreasonable or major envi-

ronmental bealth or safety haz-

Freeport responded: "The envi-

ronmental concerns expressed by Opic have no basis in fact." It

insisted it was committed to the

highest environmental standards

in all its mining operations and

was in compliance with Indone-sian environmental regulations.

RTZ said it had carried out a

cise before investing in Freeport

and "if we were not satisfied with

the way the [Irian Jaya] project

was operated we would not have

" exer

ard in Irian Jaya."

agreement as a "a giant step for-

tian Democrat delegation at the talks, said there was still a "need for consultation".

Mr Blum refused to clarify his comments but it emerged that the CDU parliamentary party had postponed an internal vote on the

The economics ministry insisted, bowever, that the agreement was irrevocable and is expected to come into force in the second half of next year. "This is an important measure

which advances the cause of deregulation," the ministry said. Contrary to union forecasts, the Ifo institute, one of Germany's leading economic thinktanks, said in a report earlier this year that 50,000 jobs could be created if shopping hours were extended to 10pm, and sales could be increased by up to 3 per cent. The report said a third of German consumers wanted longer shopping hours.

See Lex Boun beeds mood, Page 2

the investment is a good one,"

Freeport said that, after discus-

sions with its banks and credit

rating agencies, it was sure the

dispute with Opic would not

affect operations in Irian Jaya or

plans for expansion. But it was

going to arbitration as a matter

of principle because Opic did not have a legal basis for cancella-

tion and this contradicted Opic's

Analysts suggest that Freeport,

believing itself caught up in some

broader policy change by Presi-

dent Bill Clinton's administra-

tion, lobbied hard in Washington

before the cancellation was con-

firmed, among other things call-

ing on the contacts of Mr Henry

Kissinger, former US Secretary of

State, who sits on the parent

reported to have been raised

recently by President Suharto of

Freeport company board.

statutory obligations.

French TV chief held in bribes inquiry

By Andrew Jack in Paris

The head of TF1, France's most popular television channel, was taken into police custody yesterday in connection with allegations of bribes linking the channel with the country'e national lottery organisation.
Police interviewed Mr Patrick

Le Lay in his penthouse office et TF1'e beadquarters just outside Paris, before taking him to a nearby police station.

TF1 is alleged in 1990 to have paid FFr10m (\$2.05m) to Mr Gérard Colé, the former head of Française des Jeux, the national lottery operator 72 per cent owned by the French state, in its efforts to retain the exclusive rights to broadcast the results of

Yesterday's action is part of a long-running corruption investi-gation by Mr Gerard Poirotte, a magistrate based in Nanterre, west of Paris, and colleagues who have been examining the operations of Française des Jeux

The inquiries into Mr Colé, who was placed under formal investigation late last year for fraud, corruption and mismanagement, have already involved interrogations of two former heads of the private office of ex-President François Mitterrand.

Shares in TF1, in which the largest investor is Bouveues, the privately held construction group, fell 5.7 per cent to close at FFr481 on the Paris bourse yesterday after news of the developments became public. TF1 was privatised by the

French government in 1987 and Mr Le Lay, a senior career executive with Bouygues who originally trained as an engineer, became its chairman a few months later.

The broadcaster refused to comment yesterday, but Mr Le Lay recently told Agence France Presse that TF1 had never paid commissions. "All our contracts with our agents are clear and controlled," he said.

broadcasting low quality popular and sometimes vulgar programmes, which appear to have helped it to maintain its ranking

as the most watched channel. The lottery broadcasts - which are made before and after the main television news pro-grammes on Wednesday and Saturday each week - attract high viewing figures and provide an important market for advertising. from which the channel earns

most of its revenues. TF1 retains the game "Million-aire", which has a glamorous image. However, Française des Jeax has diversified the types of games it offers, and the principal national lottery draw is now broadcast on France 2, with another game on France 3, both

FT-SE Eurotrack 200: was more dramatic than it looked. A reshuffle which leaves the prima minister, foreign minister and finance Government 10-year bonds minister firmly in place hardly seems Yiekie (56) to merit the name. But the move underlines President Jacques Chirac's new-found commitment to cutting the country's large budget deficit by slashing France's bloated social security system. The creation of an enlarged social affairs ministry coupled with 7.0 the weeding out of some cabinet "wets" has shortened the odds on rushing reforms through parliament though getting them past the unions is another matter. President Chirac has clearly decided

Yesterday's French cabinet shake-up

to bite the bullet, despite his plummetting popularity. By abandoning preelection promises on jobs in order to carry through economic reform, he has also given crumbs of comfort to the bond market. But against a tide of falling ratings and growing social unrest, it is not clear how long such a path can be maintained. Despite the greater credibility of the slimmeddown line-up, Prime Minister Alain Juppé's involvement in a controversy over his housing arrangements does not make him an ideal salesman of eusterity measures.

The cautious reaction of investors in the French bond market, which initially gained ground against the German market then fell back, is sensible. Any success in meeting budget deficit targets this year will be viewed as window-dressing, and the goal of economic convergence and monetary union remains a distant one.

German shopping

Germany's restrictive shopping hours are symptomatic of the counry's economic inflexibility. Even partial liberalisation is therefore an important victory for German competitiveness. Under an antiquated law known as the Ladenschlussgesetz, consumers have found themselves forced into the street at 6.30pm on most weekdays. That will now change to a more civilised 8pm, and Saturday shopping is also being extended.

The benefits are clear. The more ambitious reforms first proposed would have added an estimated DM20bn (\$14.30bn) or 2 per cent to retail turnover over three years and created almost 50,000 jobs, but yester day's agreement will not fall far short of that. That is timely, following yesterday's news that unemployment rose for a fourth consecutive month in

October. While some medium-sized retailers will suffer increased labour costs, longer hours should be good for big chains like Kaufhof and Karstadt which can afford extra staff. It is also an opportunity for Germany's large number of family-owned corner shops to turn themselves into convenience

THE LEX COLUMN

Le shuffle

Germany will still be behind many European countries where shops open until 10pm and on Sundays. And the changes will not come into effect until late next year, giving conservative politicians and pnions time to mount a rearguard action. But a compromise was always likely given the issue has been such a political bot potato. Any improvement in the country's moribund service sector, which has lagged manufacturing as a source of growth and jobs, is welcome.

BSkyB

BSkyB's already firm grip on television programming looks set to tighten further, Clinching the Five Nations Rugby Union tournament would boost a sports portfolio which already includes Premier League football and Ryder Cup golf. This drive to dominate sports programming, combined with BSkyB's near-lock on Hollywood films, is the key to its success - as illustrated in yesterday's first-quarter figures. The concentration of exclusive programmes helped increase subscribers by 214,000 to 4.38m.

Equally important, BSkyB's market power allows it to push through price rises with little or no impact on its growth rate. In fact, its latest rises have been accompanied by a fall in the proportion of customers giving up

the service. The company is shrewd enough to disguise price rises by improving its programming at the same time - in the latest case, the Disney Channel is the new attraction. Such improvements are responsible for the increase in BSkyB's operating costs; but as the price for maintaining

dominance, they are worth it.

There is little immediate threat to BSkyB's market power. But the transition to digital TV from 1997 could pose a threat as customers will have to be kitted out with new decoder boxes. In the process, BSkyB's control of what has so far proved a monopoly gateway could be relaxed. However, provided it can cling to its dominant position, the switch to digital will be a perfect opportunity to upgrade its program-ming package further and bence charge customers even more.

Northumbrian Water

A formal bid from Lyonnaise des Eaux for Northumbrian now looks inevitable. The government is asking a bargain price for its blessing a 15 per cent cut in water bills, with six years to get there, is at the bottom of the range recommended by the regulator.

If the market is hoping a bid will materialise very soon, though, it is likely to be disappointed. For one thing, Northumbrian's share price will fall if a hid does not materialise. Lyon naise has every incentive to draft negotiations out. For another, Northumbrian's shareholders will press it to look hard for a white knight: a bidder from ontside the UK water sector would have to pay much less to cus tomers than Lyonnaise.

Nonetheless, Lyonnaise is likely to bid high. The company's shareholders are worried about its growth prospects; it needs to win to prove it is serious about overseas expansion. Moreover, buying Northumbrian even well above the current price would still enhance earnings. For its part, Northumbrian will not yield its independence lightly. It has one of the strongest balance sheets in the water sector and could well afford a gener ous defence package. Any of the likely outcomes - an agreed bid at a high price, a strong defence from Northum brian or even an anction - will focus minds on the true scope for cutting costs at water companies. If anything is likely to prompt a rerating of the water sector, this will.

Additional Lex comment on Marks and Spencer, MAM, Page 21

Bayer plans to float Agfa within two years

Continued from Page 1

mine on Irian Java.

still benefiting from the surge in demand and prices experienced earlier in the year. Pre-tax profits were np 43.8 per cent at DM906m on sales up 2.4 per cent at DM10.84bn in the tbree months to September. However, with the group'e tar-

get of a 10 per cent return on sales remaining elusive, it had no alternative" but to cut further jobs if its Germen

operations were to remain com-petitive. Despite shedding 10,300 workers over the last two years, the group's "personnel expenses remain just as high", be said.

The German plant would con-tinne to bear the brunt of further action. Bayer cut 2,820 jobs in Germany in the first nine months of this year and there would be at least 2,000 redun-dancies next year, be said.

announced that it would be

reducing ancillary wage costs, in reality we are facing further eppreciable rises in 1996," he said. "Provisional estimates put the increased burden at about DM40m per year at Bayer AG [tbe group's principal German

The I

business] alone. In the face of this "stark dichotomy between words and action", the group planned to continue to shift its assets away "Although the government from Germany, in particular, and Europe, in general. of which are state-owned FT WEATHER GUIDE

Europe today

freezing as far south and west as Serbia. Snow showers will develop in the northerty flow, especially in the Carpathlans. The cold air flowing across the warm Mediterranean will produce numerous thunder showers. Rain and snow are expected along a frontal zone over the Ukraine and Russia. Spain and France will have abundant sun but light showers are possible in northern Portugal. Central Europe and the Baltic States will remain dry with multing the British Isles will be mainly cloudy with rain in coastal areas of Ireland and Scotland. South-west Britain will have sunny

Temperatures in the Balkans will fall below

Five-day forecast Central Europe will be dry and settled

throughout tomorrow. On Friday, low pressure moving towards the Bay of Biscay will give southerly winds which will temper the cold conditions in Eastern Europe. Thunder showers will affect the eastern Mediterran and the Black Sea during Friday before a high sure system promotes dry condition Rain in Spain and Portugal on Friday will spread across southern France during the

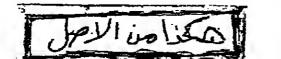
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the elegant São Bento palace.

Lisbon flat. The Socialist lead-

begun by the authoritarian

António de Oliveira Salazar,

maka his government

He was clearly not consider-

at the rear of the parliament

The new prime minister has

rowed to attend parliament at

least once a month to answer

questions, in contrast to his

Silva, who was persistently

attacked by the opposition for

neer, Mr Guterres, 46, has no

previous experience in govern-

nent. But his political skill has

been evident is the updating of

the Socialists into a party pre-

pared to embrace a strong mar-ket economy together with

more traditionally laft-wing

As Socialist leader for the

past three years, be bas

embodied the aspirations of a

younger generation of social-ists who believe that higher

social spending and a caring

state are not tocompatible with

fiscal discipline and privatisa-tion. His test will be to make

His social concern is rooted

in religious belief. He is a prac-

ticing Catholic who, after

social work in shanty towns as

a youth, chose politics rather than the priesthood as a way of

helping the poor and excluded. Mr Guterres is a fluent and

forceful speaker who also sees

himself as an accomplished lis-

tener - a quality perhaps

reflected in his love of opera -"winning an election does not mean you are always right," he

says, "Others' opinions must always be taken into consider-

During tha campaign, he said: "Let there he no illusions,

Our economy needs to be mod-

ernised and that modernisation António Sousa Franco

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Political profiles: by Peter Wise

Pledge on tax levels

António Guterres: boldly breaking with tradition

Cootinued from previous page:

"It is virtually impossible to fulfil the sort of expectations that exist," warned one prominent Socialist figure. Economists believe Mr Guterres's pledge not to increase taxes cannot stand up for long.

in any event, it would be a surprise if Portugal reduces its public delicit enough for the escudo to qualify for inclusion in the single currency in 1999. The new government

appears, however, more open to the idea of a two-speed approach. Senior officials express some concern about not pushing the pace of integration. They are ready to welcome the admission of central and eastern European countries, but fear the consequeoces for European Union structural and cobesloo funds. They argue there should be compensation for the efforts made in the cause of

Eupboria over Europe in tha first six years of membership has given way to disappointment. The pursuit of currency stability has made it harder for Portuguese companies to stay competitive, and competition

'cannot stand up' has intensified as a result of the European Union's single market and the Gatt agree-

> Two of the four main political parties - the Popular Party, which is increasing its following under a young leadership. and the Communists - are opposed to the Maastricht treaty. There is a risk that disillusion could give rise to a growing anti-European move-

> The government's first budget, expected in January, is likely to be a compromise. But the crunch could come a year bence if big and unpopular cuts are needed to get back on track for monetary union.

> With the economy recovering at 2.5 to 3 per cent a year, the new adminstration takes over in a reasonably optimistic atmosphere. Mr Guterres's new-leaf, market-oriented Socialist party has the chance of setting the scene for others in Europe, not least the UK. where the parallels with Mr Tony Blair's Labour Party are

If the mood in Portugal is as positive two years from now, it will be an achievement worthy

show a rigorous concern over public finances and industrial competitiveness."

The average age of government ministers is 48. Here are profiles of five of them:

António Sousa Franco, finance minister

The appointment Mr Sousa Franco, 53, an independent who has rigorously vetted government spending as head of Portugal's andlt tribunal. onderlines the Socialists' commitment to the budgetary discipline required to meet the convergence targets for European economic and monetary union in 1999 and bas been warmly welcomed by financial predecessor, Anibal Cavaco markets.

He was a member of Social Democrats from 1974-79 before leaving to become a founder of a small left-of-centre party, the ASDI, that has since faded away. He had earlier served as finance minister in a short-lived government in 1979 and has been head of the law faculty at Lisbon's prestigious Catholic University since 1989.

He was appointed president of the audit court by the PSD in 1986, establishing a reputation as a stern overseer of public spending who resisted government pressure to turn a blind eye to non-budgeted spending and poor accounting.

The choice of Mr Sousa Franco, respected for his tech-nical knowledge of national finances and disciplined approach to public spending, has won strong approval from business leaders who see him

Unlike previous Portuguese will incur social costs. Wa will as a guarantor of rigour in economic policy - "he knows the inner workings of the budget back-to-front and can be expected to bring a firm, capable hand to public finances," said a London-based broker.

Daniel Bessa, economics minister

A professor of economics at Oporto University since 1970, Mr Bessa, now 47, has been given responsibility for industry, anergy, trade and tourism areas divided between two ministries in the previous gov-ernment. The idea behind creating what has been dubbed a "super-ministry" in the Portuguese media is to produce an integrated economic policy and avoid inter-ministerial clashes over trade and industrial pol-

Mr Bessa, who has not previously served in government, was one of the chief architects of the Socialists' economic programme and was also the party's economic spokesman. Key reforms advocated in the programme include providing a minimum guaranteed income for poor families and paying the unemployed the equivalent of a productive wage in return community work. He aims to give Portuguese companies a better opportunity to participate in Portugal's privatisation

He has promised to end the double taxation of companies who pay corporate tax on their profits and withholding tax on their dividend income. He also inherits the state's case against Renault, the French car maker.

which is being sued by Portugal over its decision to close a plant employing 760 workers in southern Portugal. He will also have to rule on demands from small shopkeepers to restrict the Sunday opening of hyper-

António Vitorino, minister for defence and the presidency

One of the youngest but most politically experienced members of the government, Mr Vitorino, now 38, was first elected to parliament at the age of 23. By the age of 27, he was secretary of state for par-liamentary affairs in a coalition government. Now a key member of Mr Guterres' inner circle, he is known for his wit and good humour as much as for his political skills.

The fact that his new posts are traditionally reserved for the second and third most important ministers in the cab inet hierarchy reflect his importance within the new government. A lawyer, Mr Vitorino has also served in the government of Macau and is a judge on the constitutional court. He was the Socialists main candidate in last year'e election for the European Parliament. One of his tasks will be to implement the Socialists' proposals to phase out compulsory military service. He will also have to decided on pressing claims for increased compensation from many thousands of former servicemen who were handicapped during Portugal's colonial wars.



José Lamego, secretary of state for foreign affairs and co-operation

Mr Lamego, 43, gained much of his experience in foreign affairs as righthand man to Mr Guterres in the Socialist leader's role as co-president of the African Committee of the Socialist International, Mr Lamego has closely accompanied the establishment of multi-party democracy in Portugal' former African colonies and the transition to multi-racial government in South Africa

Similarly to José Manuel Durão Barroso, foreign minister in the outgoing Social Democrat government, Mr Lamego began his political career in a small Maoist group known as the MRPP, which attracted a number of radical student opponants to the Salazar dictatorship who were loathe to align themselves with the pro-Soviet Communist Party. Elisa Ferreira, minister for the environment in the new

government, was also a mem-

ber of the MRPP. In 1972, Mr Lamego was shot and wounded in the leg by an agent of Salazar's political police force, the PIDE. During his imprisonment, he was tortured by being forcibly kept awake for 16 days. Hs was among the first group of political prisoners to be released from solitary confinement after the overthrow of the dictatorship in 1974.

Trained as a lawyer, his academic career took him to Munich for several years, He has also been a consultant to the World Bank on institutional development in Africa. Mr Lamego joined the Socialists in 1985 and was party secretary for international relations until his government appointment.

Jaime Gama, foreign minister

One of the members of the new cabinet with the most experience of government, Mr Gama, 48, was named bome affairs minister at the age of 27 and from 1983 to 1985 Was for eign minister in a coalition overnment that united the Socialists and Social Demo-

Born and raised on the Azores islands, be was an unsuccessful candidate for the leadership of the Socialist

Party in 1986 and 1988. One of his first tasks will be to decide on Portugal's contribution of an air-borne infantry division to the Nato peacekeeping force in the former Yugoslavia. Efforts to secure self-determination for East Timor, the former Portuguese colony invaded and annexed by Indonesia, will also be prominent on the foreign policy

The most pressing bilateral issue is Spain's planned transfer of water from rivers that flow into Portugal, (see page four).On an administrative level, be will be faced with demands for improved benefits and conditions from the diplomatic service, a labour dispute that has led to strike action at Portugal's embassies and consulates throughout the world.



After the election: by Peter Wise

Big test in early months

Differing demands within the cabinet will be among Mr Guterres' biggest

challenges Portugal's Socialists spent 10 years in opposition before returning to power last month amid expectations of more social spending at bome and demands for budgetary discipline from Brussels. How they rise to these challenges during their first six months of office is likely to determine whether

they will achieve an equal longevity in government. "The first few months will be the toughest test," says a senior Lisbon banker. "If the Socialists show a capacity for firm decision-making under the strain of conflicting pres-sures, they will build credibil-

ity for the future." But faltering attempts to meet irreconcilable demands could erode public confidence and threaten the government's stability.

António Guterres, the new prime minister, comes to office with a thick volume of election promises to fulfill. He has pledged higher spending on education, health and welfare; liberalisation, privatisation and reform to make industry more competitive; and the rig orous control of public finances required to assure Portugal a place among the first group of countries to adopt a single European cur-

Even some prominent Socialsts remain unconvinced that these aims are compatible, particularly given Mr Guterres' commitment not to raise taxes. By naming Antonio Souse Franco, an independent respected for his technical rigour, as finance minister, the prime minister has shown his determination to keep spending in check. But pressure for s bigger share of the budget from other ministers with extensive reform agendas to accomplish is likely to be

Reconciling differing demands within the cabinet will be among Mr Guterres biggest challenges. A number of the new ministers are independent specialists whose loyalties to the areas where they have made their careers may ultimately prove stronger than to the Socialists if they feel their plans for the sectors they represent are being restricted. The Socialists could face the

and the common terms of the second of the se

Socialist party 42.9 34.0 9.1 PSD (centre-right) CDS/PP (conserva risk of Mr Sousa Franco's res-

ELECTION RESULTS

for budgetary discipline are being undermined by other members of the government. "He is not the kind of man to put np for very long with any lack of definition or turnarounds on fiscal policy." says an economist who knows him well. In theory, the government could stand up to several blows of that nature without being brought down. The Socialists can only be defeated in parliament if the Commu-nist Party sides against it with the two other opposition parties on the right. But the government's lack of an overall

ignation if be feels his efforts

majority would make it politically more vulnerable if it faced widespread opposition from important sectors of soci-

National mood

After being deprived by diotatorship of meaningful alec-tions for almost half a century. Portuguese voters have grown used to being praised for their wisdom during the past 20 years of democracy – particularly by politicians they have just elected. However, several analysts interpret the result of October's gensral election as being a precise reflection of the nation's mood. Voters chose to switch from

a stable centre-right government to a stable centre-left



one. However, they gave the Socialists e majority just sbort of outright that is likely to keep Mr Goterres attune to

public opinion. Eight years of a

Social Democrat (PSD) govern-

ment with an absolute majorlty bred allegations of patronage, sleaze and inefficiency. Support for the government of Anibal Cavaco Silva, the former prime minster who announced he was bowing out eight months before the election, was further undermined by slow recovery from two

years of recession After swinging tha Socialists behind free-market, pro-European policies, Mr Guterres gave the party its biggest vic-tory since it began fighting elections in 1974. The Socialists won 112 seats in the 230-seat parliament with 43.9 per cent of the vote. This compares with 71 seats and 29.3 per cent in the last election in 1991.

The Socialists won more seats than the combined total of 103 echieved by the two parnes on the right; 88 for the PSD, down from 136, and 15 for the Euro-sceptic Popular Party (PP), up from five seats previously. Mr Guterres heads what is technically a minority government, but one that can only be brought down if the hardline Communists, who have 15 seats, join forces with the

The implication of Mr Guterres' wide-ranging policy commitments is that higher social spending will have to come later rather than sooner in his four-year term. Both the Communists and the PP will remonstrate noisily over economic sacrifices made in the name of European conver-gence. But it would be hard for the PSD to justify holding back sopport for a government struggling to achieve their own cherished aim of participating in European economic and monetary union (Emu) - unless they could argue that the Socialists' management of the economy was putting that goal out of reach. Should the Socialists find parliamentary support slipping away, the attitude of

lic to be elected in January will could be crucial to the future Seats tugal's "semi-presidentialist" constitution, the president has no executive power but plays an important role as a political arbiter, with powers to veto legislation as well as to dissolve parliament and appointment governments to resolve political crises. President Mario Soares, the

the new president of the repub-

founding father of the Socialists whose stature in the party has been eclipsed for the first time by Mr Guterres' triumph, is barred by the constitution from standing for a third coo-secutive term. The two main candidates to succeed him are Jorge Sampaio, the Socialist mayor of Lisbon, and Mr Cavaco Silva, who had been prime minister since 1985.

Critics within the PSD have attacked Mr Cavaco Silva for sacrificing the party's interests to his individual political ambitions by stepping down from PSD leadership last February and leaving his faithful deputy. Fernando Nogueira, to fight the general election as support for the government waned. The PSD is temporarily suppressing its internal divisions, but Mr. Nogueira's leadership is likely to be challenged after the presidential alections.

Mr Cavaco Silva is clearly hoping that Portuguese voters will continue to show a long-standing preference for electing presidents from the party opposing the government, so that each acts as a political counterweight to the other. But he has a long lead to claw back in a short time.

His public image is that of a lonely decision-maker and austere manger of the economy rather than the ebullient figure of tolerance and unity that has won enormous popularity for President Scares, 70. Borrowing half of the Musketeers' motto for his campaign slogan "One for All", Mr Sampaio's approach to the presidency is similar to that of Mr Soares.

As prime minister Mr Cavaco Silva often indirectly accused President Soares of intervening in party politics to Portugal's detriment. But be acknowledges that as president he would seek to emulate, in his own style, Mr Soares's promotion of political dialogue and national harmony. There is little question, however, 22st Mr Guterres, also e champion of dialogue, would find it far easier to converse with a

Socialist president.



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The Emu recipe is proving difficult to swallow

The country is striving to meet the criteria for EU single currency membership

A recent trend in Lisbon along with the proliferation of African night clubs - is of restaurants that are identified with a single dish, offering no choice on the menu.

Economic policy, which once cultivated something of an easy-going African ambience, has now become like a single-Item menu. There may be variations in the desserts, but the main course is convergence for European monetary union.
The aim of achieving Maas-

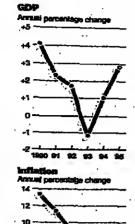
tricht treaty objectives and qualifying for the third phase of monetary union is central to the programme of the new Socialist government, as it was to the centre-right Social Democrat party administration which preceded it. The targets are being doggedly pursued in spite of widely-held doubts about Portugal's chances of fulfilling all the criteria in time to join a unified currency in 1999.

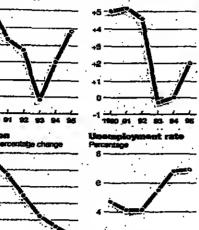
Submitting to the discipline of the Maastricht criteria covering exchange rate stability, inflation, interest rates, the budget deficit and public debt - is e painful exercise. After success in cutting inflation, the prime difficulty for Portugal is wbether, or wben, it can reduce its long-standing state deficit to the required level of 3 per cent of gross domestic product. "We're making the efforts

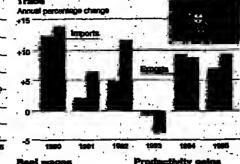
and paying the price to be in," insists Mr Antônio de Sousa, governor of the Bank of Portugal. He says that with "clear political will" Portugal still has a chance of meeting the crite-

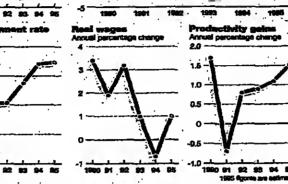
"We are close enough to the 3 per cent to be able to do it in two years without major dis-ruptions," he says. "It is not something out of this world."

He believes budget control is









make a clear sign to the markets that we are for real in terms of what we believe in." However, although the Socialists are firmly committed to the Emn programme, they

appear less insistent than their predecessors about Portugal being in the first group of countries forming a single currency. How Mr Antônio Guterres's new government plans to reconcile Emu commitments with its promises in social fields - and its pledge not to raise tax rates - is still unclear, Its first budget is not expected until after the election for president of the republic. the first round of which is set for January 14.

1990 91 92 93 94 95

Official expectations are for a 1995 public deficit of about 5.2 per cent of GDP, rather less than initially expected, down from 5.8 per cent last year and 7.2 per cent in 1998.

Bnt private sector economists believe the government will need to make sizeable tax increases if it is to meet the target, unless revenues are boosted by higher economic growth. And they see an economic speed-up now as unlikely despite the increased inflow of EU funds.

"What bappens doesn't depend on political will, but on the evolution of the economy, says Mr Rui Martins dos Santos of Banco Portugués de Investimento. Prospective membership of

the planned single currency also hangs to some extent on Spain. Even if Portugal did meet the criteria, economists believe it would be unrealistic for it to think of joining if Spain remained outside. As became clear in March this year, when the escudo had to go half-way in following a realignment of the peseta within the European Monetary System, the two are implicitly linked. Spain competes not only in the Portuguese market but also in many of the same

export markets. Since the escudo's 3.5 per cent devaluation, the currency has held its ground around the middle of its band in the EMS exchange rate mechanism, and has been spared speculative attacks. Its effective rate against the average of major with some damage to Portuguese competitiveness.

Inflation, at a 12-month rate of 4 per cent, is a third of what It was at the start of the decade. In July it reached a low point of 3.7 per cent, a level not seen for more than 20 years. The rate bas been helped by slow growth in consumer demand, a favourable trend in import prices and strong competition in the retail sector.

Real wages are expected to show some increase this year, but probably less than the gain in productivity. Although unions and employers have failed for the past two years to agree on a framework social pact, the expectation is for mostly moderate wage deals in the light of worries about unemployment. The registered jobless rate, at about 7 per cent, may be low by European - and especially Iberian - standards, but it is historically

high for Portugal. The central bank believes the country may be able to achieve some increase in Its growth rate next year, but the prospects appear limited. Mr Miguel Namorado Rosa, director of studies and planning at Banco Comercial Português, the largest commercial banking group, forecasts that growth next year will remain close to this year's expected rate of around 2.75 per cent.

Recession, lasting from late 1992 to early 1994, was followed by a modest export-led recov ery, with an acceleration this year thanks largely to public investment. But merchandise exports - about 80 per cent of which go to EU markets have been less dynamic, order books have shrunk inventories have increased and industrial output has slowed since the

early part of the year. This growth forecast is below what the government would need to provide sufficient budget revenues to be able to fulfil promises such as

a guaranteed mloimum income, and at the same time to put the country on track for monetary union. It may obtain part of this revenue by improving tax collection; according to economists, tax evasion may account for as much as 3 per cent of GDP, with only one in four companies declaring prof-

The broad lines of the privatisation programme begun under the previous government are expected to be kept, and sales over the next two years stand to bring in some Es700bn. By law, this cannot be used to fund government spending but must go to repaying state debts.

Mr Namorado Rosa is not alone in questioning whether Portugal can achieve its public deficit target in the medium term. But he believes there is "a high probability" that the country will be in a position to join a second or third group of Emu countries.

"If not," he says, "we will probably find ourselves becoming an island, with no foreign direct-investment, no credibility and successive Escudo

PORTUGAL Key facts

Area

92,390 sq km of which 34 per cent is crop land; 9 per cent under pasture; 32 per cent forestry and woodland; 24 per cent for other uses; coastline, 1,114 mis.

Population 9.9m.

Government Head of state: President Mario Soares, (until March, 1996). Head of government: Antonio Guterres, prime minister.

Languages Portuguese, but people in business and politics generally and Spanish.

■ Currency Escudo (Esc)= 100 centavos. Credit cards and travellers import of local and foreign

currency is unlimited. Main cities Lisbon, the capital; Oporto, Setubal. Lisbon is one of western Europe's sofest

capitals; muggings and violent crime are relatively rare. Business hours Friday; offices, 0900-1300 and 1500-1900, Monday-Friday, shops, 0900-1300 Saturday, 1000-2300-2359, Monday

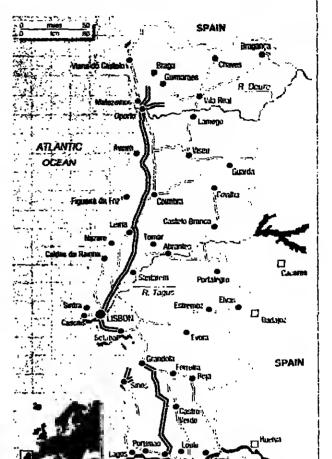
Climate

Sunday.

Mild, Mediterranean climate which is moderated by the influence of the Atlantic. Summers are hot and humid. while winters are relatively mild. inland areas have more more variable weather than coastal regions.

Time GMT +1 hour (+2 hours in summer).

Economy Gross domestic product: +1.0 per cent in 1994; 1995 (estimate) is +2.8 per cent. Inflation: 4 per cent in 1994; August, 1995; 4 per cent. Trade deficit (Jan-July), 1994: Esc726.9bn; 1995, Esc982.6br Current account deficit, (Jan-July):1994, Esc205.7bn; 1995,



Esc530.2bn Official gold and currency reserves, August, 1995: \$21.5bn Net transfers from EU: 1993,



President Mario Soares

Esc456.4bn; 1994, Ecc260.5bn. Unemployment, second quarter, 1994, 6 7 per cent;

1995, 7 per cent. Business hints Appointments must be made in advance, punctuality is

appreciated; the Portugueso are extremely courteous and helpful to foreigners; bureaucratic processes may be protracted and trying, requiring tact and patience, Much business is conducted over lunch and dinner: request permission before smoking in offices and restaurants; service charges are normally added to restaurants bills; further gratuities of around 10 per cent are optional; gratuities are customary for

Sources: FT Statistics: Bank of Portugal, Ministry of Finance, BCP







Financial markets: by Peter Wise

Brokers see healthy gain

The markets have been reassured by a stable outcome from the election

For Portugal's financial markets, the main issue at stake in October's general election was not which of the two main political parties would win, but by how much Fears that the vote would produce a weak minority government or an unstable coalition after a decade of majority rule undermined investors' confidence in the months preceding the bal-

The Socialists' victory with a stable, if not absolute, majority reassured markets, which had already discounted the possihility of a hung parliament. By the time the new government had been sworn in a month later, share prices had risen by just under one percentage point and the escudo bad remained reletively firm against the D-Mark.

Brokers saw this as a healthily monthly gain in a year in which the overall value of shares, in escudos, feli by about five per cent from January to the beginning of November. However, because of the relative weakness of the dollar, prices gained about three per cent in dollar terms over the same period. Traders' concerns are oow more focused on the instability of international currency markets and the impact on investment flows to emerging markets such as Portugal thao on domestic political issues, says Pedro Andrada, an equity analyst with Lisbon bro-

In his first speech as finance minister, António Sousa Franco helped smooth the gov-ernment transition by announcing two years of economic rigour involving a sbarp reduction of the budget deficit before the Socialists would begin implementing their more ambitious - and costly - plans

Analysts are forecasting a continued rise in share prices to the end of the year, buoyed by some encouraging corporate results. But the main sbare indices are expected to end 1995 at about the same level as they begun the year.

Portugai is suffering a down cycle after two years of high growth. The Lisbon stock market performed better than any

other European equity market in 1993 and was in second place

in 1994. Share prices rose by an average of 8.4 per cent last year compared with 1993. in 1993 they had risen 53 per cent over the previous year. Total turnover, including bonds, increased 34 per cent last year and 97 per cent in 1993. But the market fell this year as prices on most other

European bourses rose. This year Lisbon has been reacting to market sentiment and political forecasts but showing itself indifferent to economic fundamentals. The fact that the economy is widely considered to be sounder than in Spain or Italy, as inflation falls to historic lows, the hudget deficit is reduced and the exchange rate is kept stable, has singularly failed to influence share prices.

Crucial issue

Foreign investors account for about half the turnover of the Lisbon stock market. The flow of foreign funds into Portuguese securities in the first seven months of 1995 totalled Es329.6hn, In this context, maintaining international confidence in Portuguese equities is seen as crucial to the expansion of the market.

Daniel Bessa, the new economics minister, stressed the need for stronger flows of foreign capital into Portuguese securities in one of his first public statements. Concrete measures that brokers would like to see implemented include approval for a persistently delayed launch of a Portuguese derivatives markets in Oporto and the publication of regulations for sbort-selling operations that the market has

been waiting for since 1991. Both these initiatives would increase the liquidity of the system, a fundamentally important step for attracting Boulle, bead of research for Fincor. "However, the view of the Socialist government on these developments is unknown and there is always a risk that they will be regarded by some of the party's economists as dangerous because

they favour speculative behavlour.

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■ Foreign relations: by Peter Wise

A more forceful attitude expected

With widening public disillusion over Europe, the Socialists are likely to take a tougher position on European policies

Jecques Delors intended e compliment when as president of the European Commission in 1992 he described Portugal as the bon élève of Europe. But for the opposition Socialists this was faint praise that damned the centre-right government for weakly concurring to every whim emanating from Brussels in return for financial aid.

Following the election last month of a Socialist government for the first time since Portugal joined what is now the European Union in 1986, it is reasonable to expect a more forceful attitude from Lisbon on a number of European issues. But there is little risk of the country turning overnight into Europe's enfant terrible.

"The new government will probably stand up and say 'no' to Brussels once or twice, but it will be more a change of posture than of substance, says e Lisbon analyst of European affairs. "Basic policy will remain the same. The Socialists may become more assertive on questions such as tomato pulp quotas, but they will avoid any fundamental rift with Europe.

Water defines

and its delicate

its neighbour,

the two countries.

part of their course.

ment.

Spain

relationship with

The border between Spain and

Portugal, one of the world's

most durable frontiers, is made

up in part of a series of rivers,

Today, the water in these riv-

ers is the main issue dividing

Three of the five main rivers

in the Iberian peninsule rise in

central Spain and flow through

Portugal into the Atlantic -

the Douro (Duero in Spanish),

the Tagus (Tajo to the Spanish,

Tejo to the Portuguese) and

the Guadiana. All form a sec-

tion of the political border for

become extremely

tive to the question of how

much water the country

receives and is set to receive in

future, its quality, and the potential damage its exploita-

tion may bave on the environ-

Before winning its way into

government in October, the

Portuguese Socialist Party was

urging e tougher stance

towards the Socialist govern-

ment in Spain over water. Mr

António Guterres, now prime

minister, said he was prepared

Portuguese public opinion

Portugal's borders

European affluence. But that viewpoint has since soured for several sections of society. The backwardness of farming and fishing has been cruelly exposed by the European single market as the hig new supermarkets now turn to Spain and other European countries for supplies that, although available in Portugal, are inefficiently produced or

Europe was at its peak when the Social Democrat (PSD) gov-ernment of Anībal Cavaco

Silva won the controversial

"good pupil" plaudit from Mr

Delors. Huge inflows of EU aid

estimated to have accounted

for at least one perceotage

point of annual gross domestic

product growth at their beight

that gave many Portuguese

their first taste of western

stimulated modernisation

Small industrial companies in traditional sectors such as clothing, textiles, and footwear face a similar plight, with the added difficulty of European markats being opened to competitors from the developing world - who have lower wages and costs - under the reformn-

lation of the General Agreement on Tariffs and Trade. Once seen as a benevolent provider, the EU has become a scapegoat for the country's ills for a growing number of Portuguese. The rightwing Popular Party skillfully tapped a deepening vein of Euro-scepticism to increase its vote to 4.4 per cent of the total in 1991 to 9.1

take Spain to an international

court. The outgoing centre-

right government already con-

eidered the issue to be the

country's most important bilat-

The fact that water is a less important issue to the Spanish

does not help matters. Spain,

the larger and more prosperous

neighbour, is always a touchy

issue in Portugal, all the more so when combined with the

spectres of water scarcity and

some people's beads," says a

senior official in the new Lis-

bon government, "but this is a

real issue and we must face it

very firmly." He adds that Por-

tngal would like Brussels to

become directly involved in

Spanish officials disegree.

ntries per-

"We can settle problems

fectly well," they say. There is

much common ground on the

question. Talks, they add. must

he kept "technical, cool and practical."

in proportion to the serious-

ness of the drought affecting

much of the peninsula. The dry

cycle bas so far lasted four

years, the worst this century.

and has provoked internal bat-

tles between Spanish regions

The Portuguese are worried

desperate to secure supplies.

The water dispute bas grown

"Spain is a ghost that is in

dying fish.

setting plans.

eral foreign policy concern,

Dispute over fluid frontiers

to break off discussions and ebout Spain's National Hydro-

Portugal's enthusiasm for per cent in last month's gen-■ Water supplies and irrigation: by David White

eral election, winning 15 seats in parliament compared with five previously.

Widening public disillusion with Europe helps explain why the Socialists are likely to take a tougher position on details of European policies directly affecting Portugal and pursue a moderate but committed policy towards further European integration.

"The Socialist Party is strongly pro-European but we are not Euro-fanetics," says José Lamego, the secretary of state for foreign affairs and

The EU has now become a scapegoat for the

co-operation in the new gov-

country's ills

"We don't want developments in Europe to be so fast that public opinion has difficulty in accepting them," This measured philosophy

will underlie Portugal's position at next year's Intergovernmental Conference on Europe. The Socialist government appears ready to sanction the "third pillar" of European integration - a co-ordinated system of running justice and bome affairs such as visa requirements - but it does not support the "fourth pillar" of a common defence organisation.

graphic Plan, a vast long-term

project which includes a \$6hn

scheme for a series of canals to

pump weter from the rainy

north to the south and south-

east of the country.

Geography has made things uncomfortable for Portugal.

The amount of water generated

within the country in a normal

year is put at 31,100 cubic hec-

tometres of which 18,800 comes from the Portuguese sections

of rivers shared with Spain.

Within Spain, those same riv-

ers generate 45,500 cubic hecto-

metres. The core of the ques-

tion is how much of that

Portugal gets after Spain has taken its share.

The two eides have been

negotiating since last year on

ways of barmonising their

water mainly for farming (76

per cent of water use in Portu-

gal). Both agree that existing

accords, made in the 1960s

between Franco and Salazar.

These cover five interna-

tional rivers. The two north-

ernmost are the least problem-

etical. These are the Minho

(spelt Miño in the Spanish ver-

sion), which does not actually

flow into Portugal but forms

part of the border, and the Lima, which has only e small

Negotiations

need apdating.

"Our view is that the political and defence identity of the European Union should not be conceived on tha lines of e national state," says Antônio Guterres, the new prime minister. "It should contain flexible elements and be based on e philosophy of intergovernmen tal co-ordination."

His government will also support the EU's expansion to the east, despite the almost inevitable consequence of less aid for sonthern European countries - "in the same way that integration in Europe was vital to the consolidation of a pluralist democracy and a market economy in Portugal, we believe we have a duty to support the integration of [east European] countries with the EU," says Mr Guterres.

Portugal clearly hopes for due consideration - perhaps in the form of continued support from the Cohesion Fund for poorer Member States - in return for what it deems to be a principled stand on expan-

The current EU aid programme for Portugal ends in 1999 - when both pressure to divert funds to the east will be strong and the political costs of Portugal's efforts to meet the convergence criteria for economic and monetary union (Emn) will be at their beaviest. The Socialist government is

also concerned to ensure that expansion does not lead to any dilution of its political weight within the EU nor divert Europe from the goal of further

part of its basin in Spain. The

three higger rivers are crucial

to both countries, and mostly

The first of the bileteral

agreements, in 1964, was on

sbaring the international stretch of the Douro, which is

fed from the mountains of

northern Spain. Both countries

want to increase the area

under irrigation in the basin,

and Spain has plans for divert-

ing water sonthwards. Mr

Pedro Cunha Serra, appointed

under the last government to

head the Water Institute,

which comes under Portugal's environment ministry, says

this could pose problems for Portuguese hydroelectric pro-

duction and for the environ-

Portugal's permission is

needed before the plan can go ahead. Mr Cunha Serra does

not rule this out, depending on

impact. The transfer would, in

any case, not be allowed in the

summer months. And it would

have to come from stored res-

flow of the river - "it would

The Tagus, longest of the

Iberian rivers at over 1,000 kil-

ometres, with the capitals of

both Spain and Portugal lying

in its basin, is already at the

centre of e tug-of-war between

Spanish regions. A canal-and-

ervoir weter rather than the

probebly be acceptable," be

lie in Spain.

integration. Mr Guterres says: "What we do not want is for widening to limit deepening, reducing efforts for European integration to the creation of a big internal market, or the construction of an a la carte Europe ... in which each country could choose to adopt some common policies but opt out of

Another worry is that shifting the EU's centre of gravity to the east could lead to European neglect of the developing world - "even if Europe has other priorities, we are particularly concerned that is does not forget the Mediterranean area, the Arab world or

Africa," says Mr Lamego. Following the independence of its former colonies in 1975. Portugal turned to Europe as the overriding priority of for-eign and trada policy less than two decades ago, after abandoning a more Atlantic-ori-ented stance. But it still hopes to huild on the historical and cultural ties established during 500 years of colonialism to gain greater diplomatic influence in the world.

A summit meeting in Lisbon next year is due to set up the Community of Portuguese Language Countries (CPLP), a commonwealth whose aim is to endow Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal and São Tome e Principe - representing more than 170m Portuguese speakers - with more cultural, diplocould expect to acquire individually.

12.6bit 1 Autof An equally important motive for forming the CPLP appears to be a belated effort by Portugal to assert e cultural influence that is increasingly coming under threat in its former coloniee. Mozambique has applied to become a full mem ber of the English-speaking Commonwealth, Guinea Bissau and São Tome e Principe have mede similar overtures towards La Francophonie, the French-language equivalent.

The Lisbon government will also seek to involve the EU more in the resolution of its dispute with Indonesia over East Timor, a foreign policy issue to which Portugal attaches the utmost importance. The former Portuguese colony was invaded by indonesia in 1975 and formally annexed in defiance of United Nations resolutions. The Indonesian military continues to be widely criticised for buman rights violations in the terri-

Portugal will continue to pursue its goal of self-determination for the East Timorese through negotiations being conducted under UN auspices. Mr Lamego hopes European and other countries can belp in the achievement of small, confidence-building steps that could include the opening of a Portuguese interests section at e European emhassy in Jakarta. Portugal and Indonesia currently have no diplomatic



tunnel link from the two big reservoirs at its beadwaters east of Madrid supplies the dry south-east of the country. This project was taken into account in a 1968 Spanish-Portuguese pact, covering the remaining international rivers. "We accept that water transfers are

necessary in a climate like this," says Mr Cunha Serra. The agreement was based on e trade-off between dam prowith Portugal anxious to keep the Guadiana for irrigation schemes in the arid Alentejo region.

Main problem

Although the Tagus and the Douro make sensitive public issues - with the population centres of Lisbon and Oporto lying on their estuaries - the Guadiana is the higgest problem. Portugal bas resumed work on e long-delayed giant dam, for both irrigation and electricity, at Alqueva, Spain's irrigation plans on its side of the border are, Mr Cunha Serra says, incompatible.

He explains that since the 1968 agreement, Spain has using more of the water from the Guadiana than was egreed, although the total flow

has been higher than the original estimate and Portugal has received almost its target amount. New Spanish Irrigation schemes would cut this volume by more than 500 cubic hectometres a year, he reckons. This would leave the Portuguese region with enough for its supplies but not enough to save the environment.

The dangers are particularly acute because of the highly irregular flow of the river. the moment, says Mr Cunha Serra, the only water flowing into Portugal has already been used for irrigation or other purposes - "for this whole year, we have wasted water in the Guadiana," be says.

"What we are discussing is: how much weter is being used? Are environmental conditions being respected? And are our water rights being respected?"
If Spain goes ahead with all its schemes as planned, the answer to the last two questions will definitely be No. he argues. Spanish officials point out that the plan - the first version eppeared in 1993 - is still under debate internally. With general elections due in March, it is unlikely to be epproved in the current legislature. "Portugal should not be worried," they say.

together scientists and entrepreneure." miling une training if a peal framess environment.

■ Water supply network: by Peter Wise

The stakes are high

Large European water companies are keen to gain a firm foothold in Portugal

Until recently, Mafra, a town of 26,000 people, 30kms north of Lisbon, had only one claim to fame: a sprawling monastery with 4,500 doors and windows huilt by King João V in the early 18th century to thank God for granting him an heir. But this year the town achieved new prominence as

the first municipality in Portugal to privatise the management of its water supply and sewage services. Nine internattonal consortium, several of them beaded by top European water companies, competed for the 25-year contract.

The battle of the water giants for the small community of Mafra was evidence of the high stakes being played for in the modernisation of Portugal's water distribution system, considered to be among the least efficient in western Europe. Banco Essi, a Portuguese

investment bank, estimates that Es1,000bn will be invested in water supply between 1994 and 1999. An expected Es300hn is to be spent on high-pressure main supply systems, of which Es240bn will be funded by European Union and Portuguese government grants. A further Es700bn is be invested in low-pressure domestic distribution systems, with Es300bn of that amount being provided

in recent years, Portugal has made considerable strides in extending its water supply network. Almost 94 per cent of homes had running water in 1994 compared with 82.1 per cent in 1987; 86.4 per cent had a bath or shower compared with 67.7 per cent seven years earlier. The number of bomes with an inside lavetory rose to 86.8 per cent from 69.7 per cent

But the quality of the water supplied and the efficiency of the system lags considerably behind most other European countries. The buge invest-

over the same period.

dards stipulated by EU water directives, and more impending privatisations are seen as an attractive opportunity by Generale des Eeux, the

French water, construction and communications group, won the Maira contract in competition with companies such es Aguas de Barcelone and Aguas de Valencia, hotb of Spain, and a group involving Severn Trent of the UK. Companies believe that hy epplying their technical and manage ment know-bow they can both lower tariffs to consumers and achieve a good return on their

Contract bids

Six international consortiums are now bidding for a contract to manage the water supply system of the munici-pality of Fafe in northern Portugal. A total of Esibn, largely from EU funds, is to be invested in modernising Fafe's water supply system over the

next three years. Only 57 per cent of the area's 49,000 residents currently have running water in their homes. Coverage is due to be extended to 95 per cent under private management. The contract winner will pay a rent of Es-10m a year to the municipality, which is all to be reinvested in improving the water

New legislation for restructuring Portugal's water supply sector defines two separate models: water systems covering more than one municipal

area can be privatised up to 49 per cent hut will continue to be controllad by public-sector companies; systems covering only one municipal area as well as non-core water services can be 100 per cent privatised. Until now, Portugal's water

supply systems - with the single exception of the Lisbon area - have been managed on e local level by individual municipalities without the investment capacity or the benefits of economy of scala required to provide efficient services, good water quality or reliable smoolies. However, four new multi-mu-

nicipal water companies are due to be created in 1996 as part of the restructuring and liberalisation of tha sector. Establishing the four companies and the related infrastructure will involve an investment of some Ess3bn from 1995 to 1999, of which EU aid will eccount for 80 per cent. The four new public-sector

companies will cover the north and sonth Oporto regions in northern Portugal and the western and eastern regions of the Algarve in the south.

They will join Empresa Portugnesa das Aguas Livres (EPAL), which runs water services for the Lisbon region and is currently the only multi-mnnicipal water utility in Portu-

The planned partial privatisation of these regional enterrises over the next few years is an additional reason why big European weter companies are keen to gain a foothold in Portugal in towns such as Mafra

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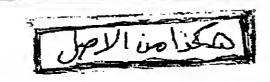
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\$2.6bn investment in AutoEuropa

The joint venture is Portugal's biggest foreign investment and its largest manufacturing project

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What does someone do with a pair of skis on a dusty plain south-east of Lisbon? Ford and Volkswagen have found a use for them at the training centre which is part of their new joint factory complex at Palmela. Groups of three or four young recruits are told to stand on skis and manoeuvre in unison as part of their coaching in the latest teamwork concepts.

Trainees move purposefully about the building in metallic grey jumpsuits. Snatches of English or German can be heard in the corridors. In both its culture and its dimensions, the plant seems like a settlement from onter space.

The two companies' AutoEuropa venture, inaugurated seven months ago, is Portugal's biggest foreign investment - totalling some \$2.6bn and the largest manufacturing project ever undertaken in the country. The workforce at the plant itself already numbers just over 3,000, and a further 1,500 jobs have been created at the adjacent business park which provides parts for the factory. Guarded like a military installation, the factory has its own 24-hour fire brigade, fully-equipped medical centre, bank and travel agency.

Exports

At full production, the plant is expected to add as much as 15 per cent to the value of Portugal's total exports, and 6-7 per cent to its import bill. About 5,500 indirect jobs have been created across the country in addition to the direct employment at Palmela. Because of its importance to the national economy, Mr Ralph Rosignolo, the venture's American executive director. says it gets "an awful lot of

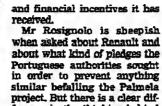
GICEP



aggressive programme

Ford and VW, which chose Portugal to make their new multi-purpose vehicle, con-trasts with the misfortunes of the nearby Renault plant at Setubal, which the French parent company wants to close.

Renault's experience, dating back to 1980, has turned distinctly sour. The Renault plant was set up in a joint venture with the Portuguese state, which has a 30 per cent stake in the local subsidiary, it now assembles Clio cars, which the group makes at four other, larger plants in Europe. Renault says the market in southern Europe is not strong enough to justify continuing the production arrangement; the Portuguese government has responded by threatening to sue the French group to sate for the tax breaks



project. But there is a clear difference in the thinking behind the new venture. Unlike Renault's, there is a single production centre for the new model, on a much larger scale. employing more than three times as many people and designed to produce up to 180,000 vehicles a year. The new vehicle is geared to

customers. It is not being launched in the Portneyese market until next month. So far, therefore, 100 per cent of production is for export. AutoEuropa executives say proudly that it is the first time Portuguese plant can claim

the market in the rest of

Europe rather than to local

to be actually making a car, with 46 per cent of the content in terms of value produced locally. The project was born four years ago. The idea of joining forces to make a "people car-rier" – minivan to Americans - followed the example of Fiat

two companies, with VW in and the PSA Peugeot Citroen Germany doing most of the development work on the new model and Ford taking the group. The 50-50 Ford/VW alliance was based on collaboramain role in planning factory tion between the two compafacilities and purchasing. Mr nies in Brazil and Argentina -Rosignolo comes from the Ford Government and EU funds contributed a third of the Es395bn invested in the venture, a figure which includes

Es257bn for the factory itself, Es96bn for developing the vehicle and Es42bn for training. The training centre is jointly controlled with the government's Institute for Employment and Professional Training. More than 850 employees have been sent abroad for instruction, in plants as far affeld as Mexico and Sweden. In total, the new workforce received 4m training hours before the production lines started rolling. "They've been very responsive," says Mr

although by the time the Por-

tuguese plant was ready they

their own ways in South Amer-

ica. Mr Rosignolo says the

young workforce, the presence

of transporting cars to north-

ship from the port of Setubal.

Tasks were split between the



AutoEuropa is a productiononly company, making cars for had decided to break up their the two parent groups' distri-bution networks. The new Autolatina operation and go vehicle is produced in equal numbers as the Ford Galaxy companies opted for Portugal because of its stable political and the VW Sharan. The two marques are distinguished by scene, the availability of a different grilles, bonnet shape. lights and interior fittings. of an existing motor compo-nents sector and the offer of fiscal benefits to offset the cost each vehicle identified as one or the other from the moment it begins production. Next year an additional Seat Albambra ern Europe from the far aouth-west of the continent. version is planned for VW's Spanish subsidiary, the first The vehicles almost all go by Seat car to be made outside

Suppliers

The plant does stamping. body construction, painting, trim and final assembly. Components, including VW and Ford engines, come from 17 European countries. But 10 of the most important local suppliers bave set up facilities in the Palmela industrial park. supplying such items as exhaust systems, bumpers, door panels and axles.

This, Mr Rosignolo says, has enabled AutoEuropa to implement not only a "just-in-time" component debvery system to limit inventories, but also a more novel system of just-intime manufacturing, with local suppliers receiving information from trans-ponders on each vahicle as it passes along the assembly line. The plant's design, he says,

drew on the best examples from both groups, and is aimed at minimum use of space. material and time. Instead of having everything under ooc roof, trim and final assembly is carried out in a separate, coonected building to allow compopents to be unloaded as close as possible to the point of

The combination of a new greenfield plant, a new vehicle and new logistics and communication systems led to some initial difficulties and a slowerthan-expected build-up of production. Mr Rosignolo admits that the company missed its mittal targets "by a couple of months," but says it set itself "a very aggressive programme". Output is due to reach 464 vehicles a day by the middle of this month. Most of the plant is now working on two shifts a day, Reaching the full planned production would require a third shift, and probably an extra 1,500 jobs at AutoEuropa and its auxiliary

Expectations are based on the success of this kind of vehicle in the US market, where sales have reached 1.5m a year. Mr Rosignolo attributes the slower trend so far in European sales to the lack of sufficient European manufacturing capacity. "Both the Sharan and the Galaxy are going to make a major impact on the growth of this market," he says. Ford and VW are calculating on a European market of 500,000 by the year 2000, and aim to capture a third of that total.

"We feel that we are at the right place and the right time." says Mr Rosignolo.

Literacy report: by David White

Controversial conclusions

Low literacy levels, a legacy of the Salazar regime, now pose serious questions

The Portuguese had to wait until after last month's general election to learn the trith about their education system. An in-depth study on literacy levels came to conclusions so controversial that its organis-ers decided to hold back publieation for several weeks to avoid giving the impression of interfering in the political cam-

The report raises serious questions about the effectiveness of educational reforms over the last 25 years and the increased funds that been channelled into the system The report shows Portugal lagring well behind other Europran Union or OECD countries. Among its findings is that more than 47 per cent of Portuguese between the ages of 15 and 64 have little or no afulity to read or do sums

For the new Socialist governing its election campaign of the oced to improve the school sys tem, the report gives an idea of the scale of the challenge being faced. Indeed, the new education minister, Mr Editardo Marcal Grilo was the head of the National Education Council responsible for commissioning the report. The report's main author, Ms Ana Benayente, has joined him as state secretary for primary and sec-

ondary schools. Portugal's backwardness in literacy standards is a legacy of the Salazar regime, which for four decades invested little in schools. Some of its backers were actually propunents of illiteracy, as a guarantee against subversive influences. "I consider more urgent the

creation of élites than the necessity of teaching people how to read," Salazar himself was quoted as saying on one In spite of a national cam-

paign for adult education, launched in the 1950s, a quar-

ter of the population was still

dren attend school in three duily shifts. When teachers fail To appear, classes are dismusseri. thornoulsery schooling set at just four comsoluence the Salacar period, has since been merescard to nine years, from age six to 15 lint many children leave early, often under landly pressure to find work. and Portugal has a relatively

illiterate by 1976. Growing

prosperity in the tuens had

brought a big rise in the num-

ber of school pupils, but not an

equivalent increase in the

number of schools. There is

still a chronic shortage of

buildings, in the cubes, chil-

low proportion in secondary or ligher education The OECD, in its latest report on Portugal, cites 1990 figures showing less than ball five-to-2%year-olds in full-time education — 17 per cent compared with 57 per cent, for instance, in Greece or

The National Lateracy Study was carried out by Lisbon University's histitute of Social Sciences, with backing from the National Education Connect and the Calouste Vallegikian Foundation Following meth-ods used in the DS and Canada, it set live levels, employ ing a series of tests.

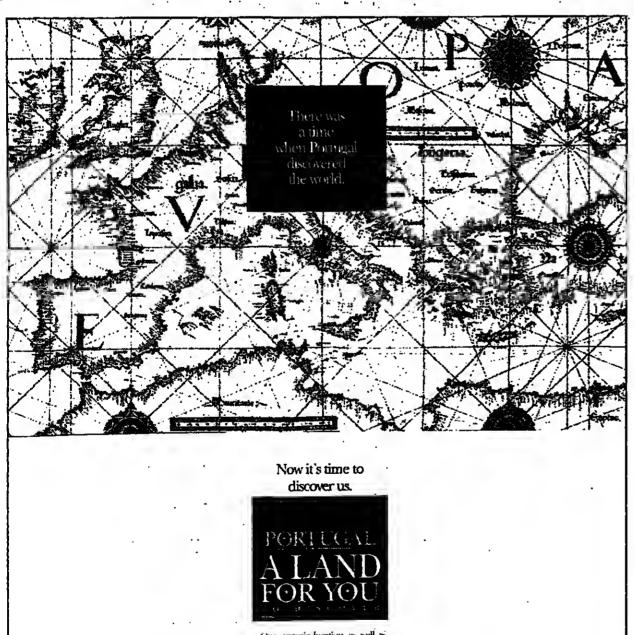
Almost 2,500 people in the 15-6t are bracket were rested. Of these, just over 10 per cent were at level zero - a level not even considered in the PS and Canadian studies A further 37 per cour were at

level t, and 32 per cent at level 2. The standard for here! 3 included, for instance, being aide to understand dosage Instructions on a medicine leaflet, and for level 4 working out interest payments on a fiveyear housing loan. Fewer than 21 per cent in total attained these standards, compared to 81 per cent in Canada.

Unesco statistics indicate that the number of uliterate people fell 20 per coot in the 1950s, but at the end of the decade still represented 15 per cent of the population and 18.5 per cent of Portuguese wumen. This reckoning puts Portugal behind countries such as Paraguay or the Philippines.



The trumpeted arrival of . The Volkswagen Sharan and the Ford Galaxy



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Portugal



Lisbon business guide: by Peter Wise

of contrasts

Lisbon, the capital city, is a relaxed and cosmoplitan place to do business

If a sequel to Casablanca were ever filmed, it would probably begin in Lisbon. It was to the palm-lined squares and whitewalled buildings of Europe's westeromost cepital that ingrid Bergman as Ilse Lund was heading wheo she bid Humphrey Bogart's Rick Blaine that famous farewell and boarded the plane back in

Landing at Lisboo's receotly revamped Portela Airport today, you will still find a city animated hy influences from the world beyond Europe, although the intrigue and espionage bred by its wartime neutrality have largely vanished. Lisboo unwinds to pulsating

rbythms in exotic African nightclubs. Flavours from India and the Far East pervade the cuising of countless restaurants. Arah influeoces are eppareot in the narrow street steps of the Moorish quarters and the use of ceramic tiles known as azulejos.

But for all the city's evocation of Portugal's long colonial history, Lisbon functions at a technical level almost on a par with the most advanced of its western Europeao counter-

Central Lisbon; evocative of the country's long colonial history

tles associated with a developed economy are readily available in Lisbon, along with the traffic jams, fast-food outlets and high prices familiar in other European capitals.

Telephones services are relatively efficient but expensive and it pays to get your office to expensive to call London from Lishon at peak hours, for example, than it is to call Lisbon from London. Fees for cashing travellers' cheques are also high. Using a credit card to withdraw cash from an ATM machine is cheaper.

Moving around

The taxi is the best way to get around. They are relatively cheap, reliable and pleotiful. Except at rush hours, few places are more than 20 minutes eway from anywhere else. Buses and the Metro are often crowded and behind schedule. The rattling yellow trams are e coogeoiel way of observing Lisboo life but can be frustratingly slow if you are trying to get to an appointment.

What few sharks there are mong Lisbon taxi drivers tend to lurk around the airport. Their most frequent trick is quickly to clear the meter when you reach your destination and ask for a higher fare. There is a surcharge for lugbut it should be regis-

All the transport, banking tered on the meter. Tolls are and telecommunications facili- not shown on the meter and not shown on the meter and are charged double to cover the driver's return journey.

Unless you are travelling a good distance outside Lisbon. it doesn't pay to hire a car (and if you do, it's often cheaper to book outside Portugal). Driving in Portugal can be unnerving The country has the highest road-accident rate in Europe. The Portuguese - otherwise the mildest of Letins - tend to release their aggression behind the wheel. US soldiers at a NATO base on one of the most dangerous roads out of Lisbon once had T-shirts printed saying "I survived the Marginal".

Among the five-star hotels, the Tivoli is popular among businessmen for its quality The Ritz and the Meridien are a little more expensive and not quite so central. The comfortable new Hotel de Lapa, in a leafy nelghbourhood 10 minutes from the centre, is fast gaiolog popularity. Nearby York House offers homely ale-

In these cost-conscious times, more visiting business men are staying at new three and four-star hotels. The Sol Lishoa, Amazonia and Dom Rodrigo Lisboa, which offers self-catering apartmeots for longer stays, provide good service and ample space for living and working.

The Portuguese enjoy speaking foreign languages. Most

businessmen speak English and French, although fluency in French is beginning to fade among the younger generation. A single foreign visitor is enough for a meeting of 20 Portuguese executives to be held entirely in English. A few words of Portuguese from a foreigner is taken as a compli-

ment but not expected. Avoid using Spanish if you can. The Portuguese understand it well and, despite a certain wariness of the more powerful country, generally get on well with their neighbours. But they also prida themselves on the individuality of their own language and culture and tend to resent being grouped with the Spanish.

Expectations

Punctuality is prized in Portugal but rarely practiced. Delays tend to accumulate in the system, but 'power plays' can also be involved. By arriving late some Portuguese executives or government officials may be implying that they are very busy people or sufficiently important to disregard

other people's timetables. But as a foreigner you are expected to be punctual. There is really no solution except to turn up on time and expect to wait.

Lunch is a vital part of doing business. It begins at 1pm or 1.30pm and lasts a minimum of 90 minutes. The city is teeming with good restaurants but a few are specially favoured for husinees meetings. They includa the Veranda at the Hotel Ritz, Gambrinus, Hotel da Lapa, Casa da Comida and Chester, the latter attesting to the penchant of Lisbon businen for traditional British etyles, from oak-panelled rooms to tweed jackets. The Portuguese do not take a siesta and dinner starts no later than

Breakfast is a non-event and it is not advisable to organise business meetings around it. The Portuguese are likely to consider a breakfast appointment as an imposition of someone else's timetable, obliging them to start work at 8.30am when they would normally get to the office at 9.30am or 10am. The most frequent business

journey out of Lisbon is to the northern city of Oporto. The plane is faster, but the train is also efficient and comfortable. Tolls on the Lisbon to Oporto motorway can make driving as expensive as the train journey if you are travelling alone. On a free day, take a short trip out of Lisbon to the romantic palaces of Sintra or Into the rolling plains of the Alentejo

Lisbon is a fertile city for night life. The medieval Bairro Alto is a lively district of tradi-tional Fado music houses, boutiques, bars, restaurants, discotheques and bordellos. Over the past three years, clubs converted from oid warehouses along the Avenida 24 de Julho, beside the Tagus, have become more fashionable, but they are now being rivalled by a riverside 'strip' of exteries and discos almost under the April 25 suspension bridge.

fects abroad.

The musical group Madredeus have achieved prodigious success at home and abroad through an appealing new conception of traditional Portu-

preserving the oceans

World fair dedicated to

co-incide with the 500th anniversary of Vasco da Gama's discovery of the sea ern Portugal.
All of these artists and hunroute to India

E Plans for Expo '98: by Peter Wise

White Raven is the evocative title of an opera being written by Philip Glass, Bob Wilson and the Portuguese librettist Luisa Costa Gomes that will have its world premiere in Lisbon on May 21, 1998. The work, on the theme of the world's fall from environmental grace, will launch Expo '98, the last world fair of the 20th century, which is dedicated to preserving the

Expo '98 will

The exposition, co-inciding with the United Nations' International Year of the Oceans Vasco da Gama's discovery of the sea route to India, is expected to attract 8m visitors to a 60-hectare site stretching 5km along the north bank of the Tagus estuary in the east of Lisbon. The new 12km Vasco de Gama bridge across the river is due to be completed in time for the opening

Although Expo '98 is to run for only five months, it will permanently change the face of Lisbon. The exposition is designed as a catalyst for transforming a derelict dockland area into a new residential and business hub of the city, regenerating e run-down area of 330 bectares through the development of residential, office and commercial complexes in a project lasting until

Organisers hope Expo '98 will also place Lisbon on the map in a less tangible sense, by creating an international forum for Portuguese arts and sciences. Creativity and research - feared by the Salazar dictatorship as a threat and enhandinated to more pressing concerns in the early years of democracy - are today seen as vital sources of national pres-

"Over the last three years there has been a positive change in the way Portugal is promoted internationally." says António Mega Ferreira, a member of the Expo '96 board. "Official bodies used to portray the traditional touristic image of sunshine, sandy beaches and sardines. Today, they are employing our best artists and scientists as flagships for the nation."

An increasing number of Portuguese artists are gaining lastest film by veteran director Manual de Oliveira stars Catherine Deneuve and John Malkovitch. Alvaro Siza Vieira, the architect who is restoring the historic Chiado shopping district of central Lisbon that was destroyed by fire in 1998, is in demand for prestigious pro-

guese music and poetical themes. Their music, described as "e window into the Portuguese soul", has become one of the most important international standard bearers of mod-

dreds more are expected to contribute to Expo '98, which has an extensive culture programme. The opera White Raven, specially commissioned by Portugal, will close an ambitious Festival of 100 days. running for thet period to the eve of the official opening of the exposition on May 22. It will ettempt to evoke every important artistic, sclentific, political and social event from

1898 to 1998. White Raven will introduce the environmental theme that is at the heart of Expo '98. It takes the Portuguese maritime discoveries of the 15th and 16th century as a starting point to focus on the ecological issues of the modern world, such as the pollution of the oceans and the destruction of the Amazon forests. Mythically, the raven was white, representing the pristine purity of the world, but it turned hlack when peopie began to exploit each other

He says that the hundreds of galleons and other vessels sunken off the coast of Portugal and the Azores islands also provide the raw material for making Portugal a centre for maritime archaeology.

Venues for Expo '98's cultural events will include the Utopia Pavilion, isee colour slide) a 10,000sq m multi-functional centre that will host a performance about the oceans that the organisers say will "associate the magnificence of grand opera with the dreamlike etmosphere of a multi-media ahow.

There will also be a 'Knowledge of the Seas' pavilion and a 'Pavilion of the Future', designed to show the importance of the oceans as a beritage for the next century and beyond.

The biggest attraction is expected to be "The Ocean Pavilion", billed as the biggest oceanarium in Europe with a central equarium and four smaller ones representing the eco-systems of Antarctica, the coral reef of the Indian Ocean. the Atlantic and the Pacific. The innovative design is expected to make the oceanarium e highlight for visitors to Lisbon



Underwater symbolism for the USFs International Year of the Oceans

and their environment.

Expo '98 will also provide an important platform for Portugal to fulfill its ambition of playing a significant world role in the management, study and preservation of the oceans - a field for which the country believes it has a geographic, historic and scientific vocation. The exposition is likely to strengthen Lisbon's bid to provide the headquarters for one of e number of international organisations concerned with marine resources that are

under discussion. Mr Mega Ferreira believes Portugal has much to offer as a potential bridge between the communities of the North and South Atlantic and in specialist maritime research areas, such as the study of the relationship between climate and ocean ecology.

long after the exposition is

Expo '98 currently has 38 countries as well as the European Commission and the United Nations committed to building pavilions at the exposition, but it expects to attract more than 100 countries altogether.

minister for trade, recently announced from aboard the royal yacht Britannia in Lisbon harbour that the UK would make a "big splash" at Expo '98 with an important pavilion exhibiting Britain's latest maritime technology and its seafaring heritage. As Britain's oldest ally, Portugal welcomed the announcement . confident that It was already well ahead of Britain in maritime research more than 500

■ Privatisation programme: by Peter Wise

The rapid pace continues

The new socialist government is as committed to privatisation as its centre-right predecessor

Portugal's nsw Socialist government aims not only to continue the country's privatisation campaign but to acceler-

"In the past, being on the political left meant wanting more of the economy in state handa," said Anto'nio Guterres, in his first television nterview as prime minister. Today, our main concern is to create more opportunities for people to prosper and to build a more just society." In addition to aelling public sector companies, the government would extend privatisation to management contracts for operations previously under

state control, he added. Driving the point home, Antônio Sousa Franco said in his first public declaration as finance minister that the government would present e programme for "rapid and intensive" privatisations in January, at the same time as

the 1996 budget. Enlarging the scale of the privatisation programme launched by the previous centre-right Social Democrat (PSD) government in 1989 will be an ambitious task. Sales of state-owned companies have to date raised a total of more than Es1.3 trillion (25.5bn), repreeenting about 9 per cent of gross domestic product. This makes Portugal the

third largest privatising country in the western world after the UK and New Zealand, according to the Organisation for Economic Co-operation and Development. In the process, the OECD says the state's weight in the economy has been reduced to about 11 per cent of GDP from 20 per cent in 1989 and the capitalisation of the Lisbon Stock Exchange has increased by almost 35 per

Shortly before its defeat in the general election, the PSD government said it planned to raise about Es700bn from privatisations in 1996 and 1997. Mr Guterres says the programme will be taken forward as fast as the market will allow. But however hungry investors prove to be, he may find it

Portuguese economy as a means of reducing public debt. The day after the new government assumed office, Ms Teresa Ter-Minassian, an Interna tional Monetary Fund official, said that "an early and decisive resumption of the privatisation programme" would help Portugal meet the convergence targets for the third phase of European economic and mone-tary union.

Beyond other considerations.

privatisations are vital to the

Mr Guterres says a "fundamental concern" of the oew government will be to keep companies of decisive importance to the economy in Portuguese hands. "I have no hesitation in saying that I would difficult to serve up assets prefer to negotiate directly

Portugal's pending privatisations

☐ Banking: Banco de Fomento e Exterior/Banco Borges & Irmão; Banco Totta e Açores, (remaining 13.2 per cent). ☐ industry:

industry:
Cimpor (cement, second stage); Sidentrgia Nacional-Servicos (steel);
Estaleiros Navais de Viana do Castelo (shipyard); Empresa de
Desenvolvimento Mineiro/Sominoor (mining); Portucel Industrial (paper pulp - second stage); Portucel Porestal (forestry); Gescartão (packaging material, second attempt). ☐ Energy:

Companhia Portuguesa de Producão de Electricidade (power production, minority holding); four regional electricity distribution companies (minority holdings); Petrogal (oil, third stage); Gas de Portugal (Lisbon gas company), Transgas (natural gas utility); Portugal Telecom (second stage).

☐ Infrastructure: Brise (motorways, minority); ANA-Aeroportas (eirports authority, minority); TAP-Air Portugal (national sirfine).

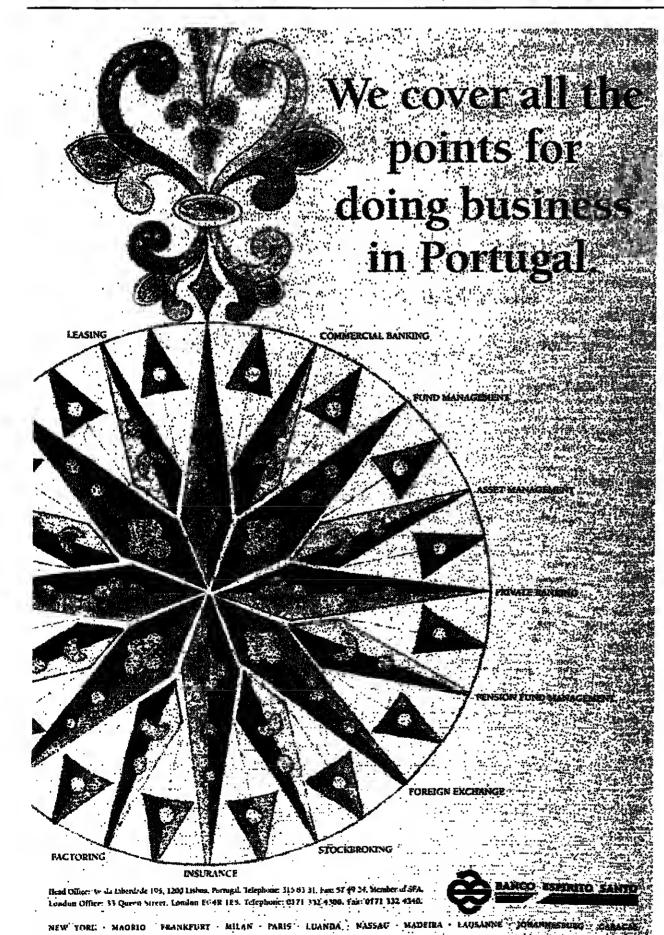
Companhia das Lezirias (farming development); EPAC (grain company); Silopor (grain storage).

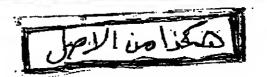
worth Es700bn in only two with a Portuguese business group, with the guarantee that the value and terms of the privatisation are defined with total clarity and transparency. than to pretend to hold a pub-

lic bidding process that is in fact manipulated," he said. In a sharp criticism of the previous government, Mr Guterres suggested that tender processes had in the past been deliberately arranged so that they would be won by the group that the government had privately considered from the eginning to be the most suitable to acquire the company. However, the Socialists' pla to keep strategic companies Portuguese could lead to clashes with Brussels over restricting the free movement of capital within the European

Mr Guterres also wants private sector and non-state bodies to play a more important role in the management of many areas that have until now been solely in the hands of the state. He gives as an example the Portuguese Institute for Trade, Tourism and Investment (ICEP), which promotes exports and investment. The prime minister believes employers' organisations that represent Portugal's export companies should join state-appointed officials in joint management of the body.

He also advocates privatesector involvement in the management of Portugal's EUbacked investment incentive system, partly to avoid the possibility of state patronage of political supporters, a criticism often leveled at the previous





its attr

oceans

Cated to THE SOUTH OF FRANCE

Sunshine belt adds to its attractions

The region sees itself as part of a Mediterranean bloc stretching east and west into Spain and Italy, writes David Buchan

ike s small California. southern France boasts Asea, sun and high technology. It has also attracted incomers from other parts of France and Europe as well as the Maghreb, and has experienced a rightward shift in its

·Superficially, it is an easy place for its regional planners to promote. The food is good, the wine better, and the lifestyle generally pleasant.

In their "technopoles", the area's wall-appointed academies of research, software specialists can explore the informatlon supar-highways without straying too far from a tennis court or encountering city traffic.

.It is a region with strong cultural and pleasure-seeking traditions, as those who have seen the current Paris exhibition of Cézanne's paintings or read Peter Mayle'e books on Provence will know. For many, the Côte d'Azur's golden age may be over, but not for Russia's nouveaux riches who have come to "party" in Nice's pleasure-palaces as Russia's aristocrats once did.

But southern France is, as a whole, tarnished by a level of unemployment several points higher than the national average of 11.5 per cent. In the two dministrative regions covered in this survey, the jobless rate in Provence-Alpes-Côte d'Azur is 15.6 per cent, and in Languedoc-Roussillon it is 17 per cent.

This is not because they are struggling with the legacy of old manufacturing industries. Both regions have little industrial past. The Fos area of Marseilles only became a serious eteel producer 20 years ago, while Montrellier bemosns the lack of manufacturing to employ the engineers and

three universities. The higher unemployment average seems to be due more to the tendency of many French to flock south in order to eke out their dole money by picking up seasonal jobs in tourism or agriculture. But, in the end, unemployment is not much less of a social problem in the sun than under

grey skies. This influx of outsiders, combined with a hirthrate that is higher in Languedoc-Roussillon but now rising even in classic pensioners' territory such as Alpes-Maritimes, reinforces the need for more foreign investment. It is still coming from traditional sources in the US and Germany. Atmel of California is building a big semiconductor plant at Roussel near Marsailles, while AEG and Siemens have moved into antomation technology in Alpes-Maritimes where another German company, GECAP, has also arrived to adapt US software systems for European

But the region's future growth potential also lies as part of a "Mediterranean arch" running from Italy to Spain. It is France's geographical good fortune that many of its poorer areas lie alongside wealthier zones in other countries, even though these neighbours' average national wealth is less than France's. Just as Nord-Pas de Calais faces Kent across the narrowest part of the Channel, so Languedoc-Roussillon has wealthy Catalonia just across the Pyrenees.

The contrast is less noticeable on Southern France's borders with northern Italy. So far, the main Italian investment in the Côte d'Azur has been in residential property. It began to flow in when Italy scrapped capital controls a few years ago.

Three out of four foreign buyers of local property are still Italians, and, says a Nice real estate specialist, they are less suspect nowadays because fewer of them insist on paying

Unlike the Alpes-Maritimes, however, northern Italy boasts which could work closely with eouthern France's hi-tech

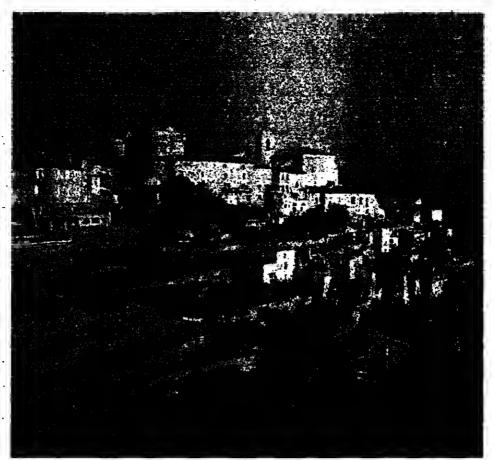
Sophia Antipolis, one of the oldest and most successful of all French technopoles, needs to rejuvenate itself through closer links with Italy, says Mr Glibart Stellardo, deputy mayor of Nice and president of the region's chamber of commerce and industry.

He is one of many Nicois who wants to to break out of Nice's cul-de-sac either by the construction of a mountain tunnel north east to Turin or an extension of the TGV from Aix-en-Provence via Nice to Italy. Neither plan, however, is as advanced as the project to extend the TGV from Montpelher to Barcelona by the year 2005, endorsed last month by President Chirac and Prime Minister Felipe Gonzalez.

Catalonia, whose Catalan language is also spoken on the French side of the border in Perpignan, has also joined France's Languedoc-Rousaillon and Midi-Pyrénées to create a "European region". So far, Languedoc-Roussillon has seen little Spanish investment, but hopes that it will follow the forging of closer administrative and infrastructure links, such as the contract under which Compagnie dn Bas-Rhône-Languedoc will supply water from the Rhône to Barcelons.

But while fostering links with its European neighbours, Southern France has to make more of its own resources. Nowhere is this clearer than in the port of Marseilles, founded by Greeks in 600 BC and until very recently working under practices that seemed almost es antiquated.

However, a long series of strikes finally culminated late last year in agreement. It reduced the number of dockers from 1,800 to 850, ended their ability to dictate terms to the port authorities by changing them from a self-regulating guild to salaried employees of the port, and got them to sign a three-year "reliability" pact. The way is thus now open for a freer flow of cargo to and from the huge investments



The villege of Gordes in Provence: a landscape that keeps its abiding fascination

Marsellles-Foe port area -FFr6bn by the port snthority and FF170hn by industry.

Created under President Pompidou primarily to import petrol and Algerian gas, Fos and the adjacent inland lake of Etang de Berre is now also bome to one third of all French petrol and petro-chemical refining (BP, Esso, Shell, Total, Elf-Atochem, Arco Chemicals. among others), as well as Usi-

quay-side site of 650 hectares. Sollac's 3,700 workforce turn out 4m tonnes a year of hot rolled steel, mainly for cars and packaging, two-thirds of which is exported.

Sollac would like to have more local customers for its steel, as would the port authorlty, because there is still vacant land on the 10,000 bectare Fos site which is connected to Lyons by road, oil pipeline nor'e Sollac steel mill. On a and the River Rhone, Further

development will, however, b constrained by the difficulty of disposing of waste in an area where the mix of sea and fresh water has already turned the Etang de Berre distinctly

Marseilles' problems have not prevented the rest of southern France from prospering. However, both Paca and Languadoc-Roussillon have their own structural problems. The former is as large as Bel-

gium with a population equivalent to Norway's, much of which is crammed along the coast. As a result, Paca's planners are trying to push development further into the hills and to encourage adventure

tourism in the "arrière-pays". For its part, Languedoc-Roussillon ie still trying to regain the industrialisation it had in the 18th and early 19th mills at now-deserted towns such as Lodève clothed Napoleon's armies. Subsequently, it plunged into "le gros rouge" mass-production of wine which the newly-built railways supplied to Paris.

The result is that, with exceptions like Alès in the Cevennes, which has maintained a manufacturing tradition, it has little industrial base and there are only 17 companies (among them, Perrier, IBM and Cogéma, the nuclear fuel processor) that employ more than 500 people esch.

Mr Georges Freche, the ebullient socialist mayor of Montpellier, has seen his city's population double during his 18 years in office. In the same period, its jobless rate has stayed slightly lower than the region's. But the city's research activities are fragile because they are 80 per cent dependent on public funding.

The time-honoured way for regions to ensure their share of the public purse is to have a powerful voice in Paris, But there are no important southerners in the Juppé government, though Mr Jean-Claude Gaudin, the new Senatormayor of Marseilles who has been president of Pacs, is a force to be reckoned with, and Mr Jacques Blanc, president of Languedoc-Roussillon, who also presides over the European Union's Committee of

Regions, has used his influence in Brussels to ensure EU money for his home region.

Nor has the south improved its image with the French political establishment by electing National Front (NF) mayors in last June's elections in Toulon, Marignane and Orange, and an ex-NF member to be mayor of Nice. It is no accident that the far-right NF abould get its first taste of executive power in the south. In splite of a left-wing tradition in the south west and around Marseilles, the area has been moving to the right for some time, and NF calls to crack

down on immigration and

crime fell on fertile ground. The NF, however, might never have made its breakthrough but for corruption within the local political establishment. Though revealed in the past couple of years as corruption has clearly been on a larger scale in the south. for instance, given mayors the right to grant or withhold the building permits which in are enormously valuable. In the same areas, politicians maintain a more opulent lifestyle than their normal pay

permits So the prosecutions of Mr Jacques Médecin, tha former mayor of Nice, and Mr Maurice Arreckx, a former senator from Toulon and president of the Var department council, on corruption charges have opened np a political vaccuum into which members of the NF have stepped.

However distasteful their views on Immigration, they have, to many southerners, the merit of being financially clean by virtue of not having held

■ Wine, food and flowers: by David Buchan

The fertile crescent

International food companies have come to exploit the area's produce and strategic location

If there is one element - apart from sun and sea - thet links the two regions of Provence-Alpes-Côte d'Azur (Paca) and of Languedoc-Roussillon, it is the production of good things to eat and drink.

It is big business in both: Paca grows 14 per cent of France'e vegetables, 22 per cent of its fruit and and 28 per cent of its flowers, while Languedoc-Roussillon produces nearly a third of all French wine. Their agriculture/viticul-ture also anchors the regions firmly in the Mediterranean arc from Catalonia to Lomfor instance, produces nearly a third of the cut flowers sold in France, but still relies heavily on the Dutch for seeds, bulbs and marketing. However, the region is mak-

ing a big effort to stay ahead in food science, in the expectation that the food industry will follow. One such effort is Avignon'a Agroperc, set up outside the city of the medieval popes five years ago to cross-breed university and government agricultural researchers with the private sector and to act as a nursery garden for new hi-

Agroperc has some small 45 companies on its 200 hectare site working in such diverse areas as natural aroma extraction, agro-biology, robotics for cherry corting, and applied electronics. Avignon already



market: plenty of good things to est and drink

bardy, with the current disadvantage of subjecting both regions to competition from Italian and Spanish producers benefiting from depreciation of their currencies.

Companies, euch as Nestle (chocolate), Unilever (tea), Générale Sucrière (eugar), Puget (vegetable oil), and Coca-Cola and Orangina (making concentrate), have moved in more to take advantage of good transport and logistic facilities, especially in the Marseilles and Rhône valley area, than to exploit local produce. There are, of course, a few

large home-grown companies such as Ricard, the Marseilles maker of anise-based drinks, as well as some 500 food-processing companies in the Paca region who employ more than 10 people. But local production and processing do not merge as closely as for wine and spirits. The Var horticulture industry,

has a government centre for research into preserving/freezing techniques, and Agroperc's director, Mr Thierry Vibert, says he is now particularly en to exploit Avignon's position on the Rhône valley axis to promote "research into the logistics of the distribution of fruit and vegetables".

Move west through the Bouches du Rhône Department, the country's biggest apple producer, over the Rhône, across the Gard Department and deeper into the Languedoc-Roussillon region, and the story changes. Fruit gives way to grapes in a dramatic way. Languedoc-Roussillon has sharply scaled back its 19th century enormous over-expansion into wine growing, which reached a peak of 485,000 hect-

ares in 1900. Aided by special Brussels premia for tearing up low-

420,000 to 300,000 hectares over the past 10 years. But some 60 per cent of Languedoc-Roussillon farmers are still in the wine business, which employs around 40,000 people, and the region still produces around 18m hectolitres (out of total French output of 55m hecto-

Of this, nearly am hectolitres are "appelation d'origine con-trollée", and another 45m hec-tolitres high-quality "vins du pays", and by colour, still 92 per cent red, though white and osé are on tha rise. The latter's growing popularity among tourists and in foreign markets, local growers admit, owes much to successful promotion by their rivals in Provence, where rose predominates.

But steady attention to introducing new varieties and upgrading old ones has raised the quality of Languadoc-Rous sillon wine to the point that it now seriously rivals that mighty Bordeaux in terms of value for money. Mr Michel Remondat head of the Languedoc-Roussillon wina burean, says his region's wines sell wholesals in France for FFr12-15 a botte, compared with FFr18-20 for Bordeaux. Exports, too, have boomed

total output. This is due partly to the introduction of singlevariety wines which are increasely popular abroad and which are being cultivated by few Australian and Americans who set up in Languedoc-Roussillon. But most wines remain, as elsewhere in France, a mix of varieties, based on their "terroirs" and

identified gaographically

rather than by type of grape, and leading local wine growers

amounting to 30-35 per cent of

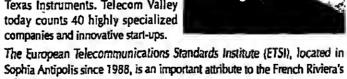
see no reason to change this. Consumer boycotts in protest at French nuclear testing seem to have hit a few Langue doc-Roussillon winegrowers. One had 20,000 bottles returned by a Dutch importer. While the UK is the region's biggest export market; Denmark, Germany and the Netherlands. where boycott calls have met a stronger response, are also important markets. But Languedoc-Roussillon growers egard this as a passing phase. and console themselves over the excellence of their 1995 vin-

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Spicy flavours of a cultural melting pot

France's second biggest city is in the throes of political and economic renewal

Enter s rastaurant in Marseilles, and you are at least as likely to find couscous and spicy merguez sausages on the menu as foie gras or other more traditional Frencb dishes. The influence of north African cuisine is just one of the more obvious illustrations of the unique cultural cocktail in the country's second largest

It is not just that the climate is far warmer than most of the rest of the country. The residents of Marseilles are also far more informal and friendly. People touch each other more. and kissing on the cheeks even between male friends - is far more common than a stiff Parisian-style bandshake. In many ways those who live

in Marseilles have more in common with their Spanish and Italian neighbours - with whom they have frequent contsct - than with the rest of their own country. Their city's history - deting back almost 2,600 years - has long heen focused seawards towards the

They are both proud of their distinctiveness and suspicious of the negative image that many outsiders have of the city, often mentioning the bleak, drug-trading images encapsulated in films like The French Connection, which was largely based in Marseilles.

Just because we have the sun and can work with our windows open, people think we are not serious and that we are permanently on holiday," says Mr Renauld Muselier, the Gaullist deputy mayor of Marsellles elected in June. 'It's not true. In fact, we work harder than people elsewhere."

Mr Jean Matouk, bead of Marseiliaise de Crédit, the

Numerous defence

and aerospace

industries are

among the area's

biggest employers

A defence and aerospace

industry is one of the many

things that southern France

has in common with Calif-

ornia. The Provence-Alpes-Côte

d'Azur (Paca) has 22.000 people

in a wide range of activities,

such as making belicopters

and torpedoes, assembling s

large part of Europe's telecoms

satellites and keeping half of

Such dependence on defence

the French fleet ship-shape. .

■ Defence industries: by David Buchan

state-owned bank based in the planted into the region, who region, says that the region is eventually withdrew as corrupsuffering no more than other parts of France, which is labouring under difficult economic conditions. But be argues that the city's own residents are partly to blame for the negative image, since they have long engaged in self-criticism and also failed to adapt to

In the 19th century, Marseilles flourished during a time of French colonialism and industrial growth, and as the logical port of departure for much global sea-hound trade which ssed through the Mediterranean in increasingly volumes with the opening of the Suez

In the last 50 years, decolonisation and the rapid growth of air transport have winded Marseilles considerably. De-industrialisation has hit hard, and in the early 1990s, the local dockers made their voices heard across France with disruptive industrial action lasting more than two years.

Meanwhile, local politics has been characterised by bitter feuding and often any lack of real power or money to hring about change. Mr Gaston Defferre, the socialist minister, ruled powerfully over the city for much of the post-war period, but he left a gaping hole when he died of a heart attack in 1986.

The fight for his replacement split the left wing, and ever since the situation hecame more fractured as the victor -Mr Robert Vigouroux - went on to win re-election as mayor but then quit the socialists and supported the centre-right prime minister Edouard Balladur in his presidential bid this

The result in the race for the city hall this summer was a range of competing left-wing alliances which split the vote, including a possible list headed by Mr Bernard Tapie, the flamboyant businessman trans-

ent baskets - in research (such

as the Atomic Energy Commis-

sion at Cadarache and the nine

defence ministry laboratories

in the Var alone) as well as in

manufacture - and from the

capacity of many subcontrac-

tors to diversify, turning their

A striking example of this eis

the success of a Marseilles-

based company in supplying

the air conditioning system it

France's high-epeed TGV

Aérospatiale is one of the

region's big employers. It con-

verted the site of an old sea-

plane factory near Cannes to

assemble telecommunications

for submarines to

defence hi-tech to civil uses.

Eggs in a lot of baskets

tion charges mounted against.

It was finally the Gaullist RPR party which claimed victory under the charismatic Mr Jean-Claude Gaudin, who is also both a national senator and head of the regional council. Combined with an RPR dent and national government, this new political alliance could hring about an important thawing of relations with Paris.

One example cited by Mr Mesolier is that of Euromediterranée, a huge 300 hectare redevelopment near the heart



Gautist may make a difference

of Marseilles, around its traditional harbour front area. Only last month, after a decade in discussion, the project was granted a special legal status by the government, giving the authorities considerable planning powers and providing half of a FFr1.7hn budget to he spent over the next five years. He hopes that the project which includes land clearance, new infrastructure develop-ment, housing subsidies and

the local economy and radically changing the image of the city by the year 2000. More broadly, planners point to the advantages to come

Aérospatiale's Cannes factory

has had a bumper year for its

telecoms business - foreign

orders for 16 satellites worth a

total FFrebn. Many surround-

ing subcontractors now do 80

per cent of their business with

Aérospatiale, which now needs

more engineers than it can

Business is not quite so rosy

at Aérospatiale's Eurocopter

Daimler-Benz Aerospace at

Marignane, which with a

workforce of around 5,000 is

the region's biggest aerospace

employer. Bnying some

FFr1.4bn worth of parts and services from the local

venture

with

toint

educational institutes - will

provide the key to revitalising

from new high-speed rail links scheduled for completion by 1999, and even a canal linking the River Rhone with the Rhine by 2010, as well as discussions with the new Gaullist administration in Lyons about intensifying cooperation between the cities. "Wa are undergoing a period

of renovation," says Mr Henry Roux-Alexais, head of the regional Chamber of Commsrce. "We will be transformed into a real centre of quality in international trade." Not everyone is so positive. Like many other cities across France, Marseilles has its share of social problems. Unempioyment is disproportionately high, and in a city with such a high proportion of residents with foreign origins - notably from north Africa racial tension is always an

The extrema right-wing National Front has achieved high scores in the region, including winning for the first time this summer three nearby townhalls and nearly claiming a fourth. This spring, a young immigrant was shot dead in the city after a struggle with three of the party's bill posters. It is true that the press has sometimes exaggerated ths extent of urban conflict in ths

Many iocals argue that Marseilles copes far better with integration than elsewhere in the country - partly helped by the unifying influence of OM. the sacred football team which became European champion in 1993. Despite its proximity to Algeria, it has not been touched by the terrorist attacks to hit Paris.

But ultimately unless the pianners' bopes for redevelopment of the region bear fruit, and trickle down to the more disadvantaged groups within Marseilles, difficulties they face risk

demand is still for military

rather than civil belicopters.

Eurocopter's spirits have been

dampened by this year's

decisions by the UK and Dutch

governments to buy the American Apache in

preference to the Tigre attack

helicopter which Eurocopter is

developing for France and

Germany. To save money, the

French government has also

said it will delay industrial

But Mr Jean-François Bigay,

the head of Eurocopter,

expresses confidence that next

spring will see the definitive

signing of the contract to build

427 Tigres for France and Germany. Hs also dismisses

rumours that France might

pull out of the NH-90 belicopter

project that it is developing

with the Germans, Dutch and

italians for transporting troops and conducting anti-submarine

warfare. "The special feature

of the NH-90 is that the

governments have already

given us a full contract to

develop the helicopter, which

we, the companies, have

undertaken to do for a flat-rate

By far the biggest regional employer is the Arsenal at

Toulon, on 500 hectares of waterfront which contains the

naval base of nearly 20,000

sailors and the ship repair and design facilities of the

Direction des Constructions Navales (DCN) that employs

6,500 people. The naval base, which goes back four centuries, is home port and

repair/overhaul centre for

France's Mediterranean fleet

and most of its further-flung

fleets (except in the Pacific). It

has, been the embarkation point for all heavy military

carrying out the work. The

latter accounts for most - 5,500 - of the work force, under its

director, Mr Jean-Pierre d'Hérouville.

Ship repair and overhaul, for the occasional foreign client as

well as for the French fleet,

earns FFr2.6bn a year, and

puts DCN Toulon on a par with

Devonport in the UK, says Mr

d'Hérouville, who was recently

French naval attaché in London. On average, the DCN

carries out 15 ship or

But the DCN also has a

branch - DCN Engineering

which is increasingly making

itself felt in export markets.

The Arsenal stopped making

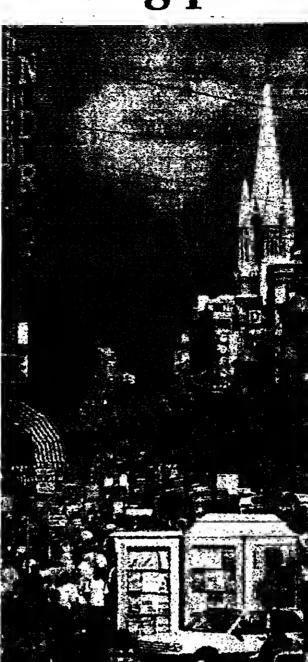
submarine refits a year.

The second secon

supplies to Bosnia.

of Ecusi.4bn," he says.

production of the Tign



raising the temperatures in the city to dangerously high levels. Marselles: a cocktal with elements of Africa, Spein and Italy

Local bourse Shute shuts as Paris calls the tune

Some local banks flourish, but the power of Paris has cost Marseilles its once lively bourse

The headquarters of Banque Chaix sits within the historic city walls of Avignon and overlook some of its more impressive ancient stone buildings. But the rather tired modern offices and furnishings of the company itself are far from luxurious.

"Yon don't need marble everywhere and a 500 square metre office for a bank," says Mr Joseph Perez, the chairman. It is this philosophy of keeping costs low and services focused on the needs of clients that has helped it maintain its reputation and profitability as a bank for the region. But while Banque Chaix has

retained its local identity and proved to be a mainstay of the iocal economy, many other financial institutions in the sonth of France have seen themseives transformed in recent years into parts of national giants centred on Paris-

As in other parts of France, small networks of local and regional banks have been swallowed np into the big groups, while even the long-standing local branches of existing national banks have seen much of their anthority stripped away to regional centres and manag-

Like the private sector banks, the French national savings bank - the Caisse d'Epargne - and the mutualist and cooperative banks such as Banque Populaire, Crédit Mutuel and Crédit Agricoic, have followed the same pat-

While they may have historical roots firmly planted in set-tlements across the country, they bave increasingly regrouped into ever larger administrative areas with regional or national headquar-

The situation is not just true for banking, but across the financial sector. Marseilles has an imposing 19th century Chamber of Commerce overlooking its old port in the city centre. But the opulent building has been stripped since the start of the decade of one of its

Some of the stockbrokers who left when the bourse shut have returned

original roles - the regional

The French bourse retains an important local representative office in the area, but now most regulation and management of the single, computerised stock market is conducted directly from Paris, replacing the role of the country's

regional stock markets. While the thrust of national legal, political and administrative reforms since the early 1980s in France bas been towards decentralisation to hreak the stranglehoid of Paris, the tendency within financial institutions has in many ways been in the oppo-site direction.

Such changes are hy no means all bad. The information technology revolution no longer justifies separate local stock markets," says Mr Jac-ques Fraysse de la Condamine, the local officer. Things are better now, and we have instantaneous communication." Some of the local stockbrokers who closed their Marseilles offices after the local

returned to the city.

Not all institutions which remain regional - at least on paper - have necessarily had a happy history. Marseillaise de Credit, the now state-owned bank founded in the 1880s. maintains most of its hranches and clients in the south of

Yet It suffered severe financial difficulties in the early 1990s, culminating in recapitalisation by the government last year and this to the tune of FFr1.39bn. It made losses of FFr3m for the first half of 1995. After a change of chairman announced in late October, it is likely to be scheduled for privatisation as quickly as

Marseilles may benefit from funds designed to spur the new industries

Bnt Marselllaise de Crédit also bas its strong points, arguing that it knows local businesses well and can respond most effectively to their needs. It has also taken advantage of one of the region's great potential sources of International growth in the future - In North Africa - restructuring and selling off majority control in its subsidiary G P Banque, which is becoming an investment bank for Morocco. Tunisia and Algeria. Equally. the restructuring of tho financial sector in the last few years in France has created new forms of funding for small and growing enterprises, such

enture capital. Mr Hervé Legonpli is managing director of Finadvance, one such fund, based in Aix en Provence, although be says that tbrec-quarters of bls investments are focused in the Rhone-Alpes region rather than further south, reflecting the comparative strengths of

the two regional economies. With the French stock market carrently working on the creation of a new market for fast-growing companies many in the bigh technology sector - and the national culture increasingly open to foreign investors lured to the equity markets. Marseilics should benefit alongside other parts of the country from new forms of funding. It may even gain disproportionately, given its strength in encouraging

many fast-growing businesses in areas like blotechnology. Mr Perez of Banque Chaix argues that there is no reason why centralisation of decision-making should necessarily increase the risk hankers take when they approve or reject loan decisions. Indeed, he stresses how centralised operations are at his hank, with the distinction that all of Its hranches are within one bour's travel of the Avignon

headquarters. Nevertheless, he says that one of his bank's strengths lies in its proximity to clients, with whom It can develop long-term. in-depth relations and provide them with a full

range of services. All this is not to say that Banque Chaix has entirely escaped the power of Paris. While it maintained considerable autonomy, it was nationalised by the socialist administration of President François Mitterrand in 1981, and in 1986 and 1987 the state transferred its nitimate ownership to Crédit Commercial de France, itself based in the nation's capital.



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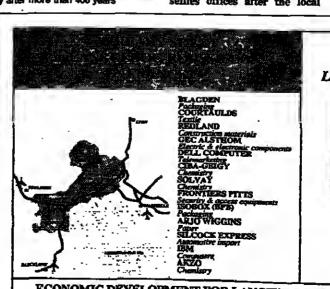
MONTPELLER LANGUEDOC-ROUSSILLON TECHNOPOLE

The DCN is still firmly in Toulon: still servicing the French navy after more than 400 years government hands despite rumours that it may one day ships 50 years ago, whereas the be privetised. But it has shipyards in neighbouring La changed internally.

Partly at the insistence of
France's partners in
collaborative naval projects. Seyne packed up in the 1970s. But the 700-strong engineering branch et Toulon does much of the development, purchasing the DCN was split in 1992 into and integration of naval one hranch placing government orders and another - DCN Industriel combat systems for ships made

alsewhere in France. it has done all the integration work on submarines for Pakistan and is to do the same for new "stealthy" frigates for Saudi Arabia. The two big systems it is currently developing are for the new Triomphant class of nuclear missile submarine and for the Charles de Gaulle nuclear-powered aircraft carrier. Work on the latter project might pay off in another export order, says Mr Joel Branchut of DCN

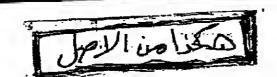
Engineering. "Based on the work we have done for the Charles de Gaulle, we intend to offer the technical software for the new maritime patrol aircraft which the UK is





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■ Discovering the technopoles: by John Ridding

Citadels of quiet for the scientific elite

France's bid for hí-tech excellence is being fostered in a chain of gleaming research centres

In previous centuries, France's Mediterranean coast was dotted with fortresses defending strategic military positions. Nowadays, the crumbling castles have been replaced with a different kind of stronghold - a string of science parks and universities aimed at developing hi-tech research and related industries.

The technopoles, as they are known, have become a central element in the region's economic and cultural ambitions since they started springing up at the end of the 1960s. But, unlike the fortresses, they are part of an offensive plan.

From Sophia Antipolis, lodged between Nice and Cannes, through Toulon, Marseilles and on to Montpellier in the west, the success of the technopoles will determine whether southern France can build on its base of technologybased businesses and extend its standing as a European research centre.

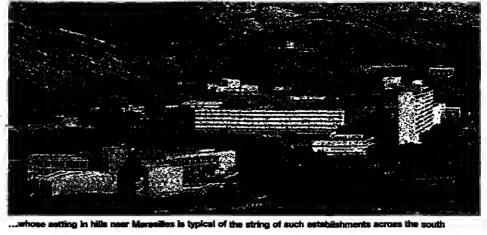
So far, their impact is clear.



Sophia Antipolis, the first of the technopoles, now counts more than 1,000 companies and about 16,000 engineers and technicians at its science park. One-tenth of the investments are from abroad, ranging from AT&T and Dow Corning to the Korean Institute for Energy

The pattern has been repeated elsewhere. Over the past decada, the Languedoc Roussillon Montpellier Technopole has developed a network of science parks, from medicine to information technology. The rapid growth rate is illustrated by the medical centre. which has grown from 67 companies in 1984 to more than 300 today. Smaller technopoles, such as Grand Luminy near Marseilles, have also taken

The rise of the technopoles in southern France is the result of several factors - some specifically French, some international. Concerning the domestic causes, the expansion partly reflects the policy of economic and administrative decentralisation pursued by successive governments since the beginning of the 1980s.



"Decentralisation was a vital stimulus," says Mr Patrick Geneste President of the Languedoc Roussillon Technopole and deputy mayor of Montpellier. "It gave us the freedom to use our resources and to implement our own development

strategy." Another part of the decentralisation policy, the establishment of specialised public engineering end research schools in the provinces, pro-vided a foundation for hi-tech studies and business. Sophia Antipolis, for example, capitalised on the creation of the Uni-

versity of Nice in the 1960s and on the establishment of state institutes such as the INRIA data processing centre. At the same time, many

international industries, from

telecoms to biotechnology have found it increasingly important to be close to a developed research network. "The point of a technopole is to allow technology transfer," says Mr Geneste. "We cannot belp com-panies manage themselves better. But we can provide the environment in which they benefit." Nor is the environ-ment simply a question of laboratories and available enginaera. The climate, the landscape and cultural considerations are of increasing importance in drawing poten-

But if various science parks are now established, and the climate seems set fair, the technopoles are faced with a series of challenges. The region is far from alone in France and in Europe in focusing on such projects as a means of development. Chronic unemployment. in many EU members end the desire to attract strategic industries has fuelled an increasingly fierce competition for investment.

tial investors from rival sites.

There is no question that we have to fight harder all the time. Investors know there is a growing choice and special financial incentives, so they shop around," says a senior official at one of the region's technopoles. In his view, some of the established centres face a tough struggle in maintain-

ing their position. Part of the solution to the

rising challenge lies in speci-alisation. "We have certain strengths and this is what we offer," says Mr Geneste, referring to the four main research areas at Montpellier - medicine, computer sciences, information technology and agron omy. Beyond that, the battle lies in creating cultural and environmental conditions for

prospective investors. In other areas, the competitive environment has prompted co-operation between neighbouring technopoles. The science parks and universities in the region of Provence-Alpes Côte d'Azur, for example, are now linked by a high-capacity fibre optic network. This allows rapid transmission of data and images between companies, research centres and

the region's technopoles. Co-operation and coordination is also encouraged by local government authorities. "We try to ensure that there is no unnecessary competition between the technopoles," says one official in the Bouches du Rhône Department. "They have a say in bow resources are allocated and can steer development through tax incentives and other economic measures," adds a technopole spokesman.

In the battle against national and international competitors, local administrations can also help by providing data and facilities. Dr Lee Leserman, director of research at the CNRS in Grand Luminy, says that foreign pharmaceuticals companies are attracted by the set-up for clinical trials in local bospitals. "The organisation



Foreign companies	in Sophia A	ntipolis science park
Country	Compe	mies Number of jobs
Germany	5	86
Spain	2	508
UK	8	369
Italy	7	248
Others (Europe)	22	412
N America	48	2,055
Asia, Japan, Korea	2	49
Others	a	87
TOTAL	97	3,812
		Source: Sophie Antipole SAEM 199

Montpellier's science and enterprise parks: numbers of corporate tenants and jobs created by 1994								
PARK	COMPANIES	JOBS						
Milléneire	230	5,500						
Euromédecine	200	4,717						
Agropolis	35	817						
Garosud/Tournezy et Prés d'Arènes	406	6,923						
Méditerranée	•	-						
Marcel Dassault La Lauze	145	1,418						
Massane et La Biste	51	548						
Clément Ader et Cao Alpha	34	372						
Vallée du Salaison	89	968						
Les Baronnes	9	111						
TOTAL	1,199	21,374						

and the administration is very strong in France," he says. Whather funding remains strong is another important

question for France's universities and the technopoles with which they co-operate. For the moment, researchers say there has been little impact on financing as a result of the budgetary pressures facing the French government and that

the state continues to play a role in assisting with the development of science parks.

"It is understood in France that basic and applied sciences are vital in gaining an edge in hi-tech industries," says a physics professor. "The state wants business and jobs. But they know they need universities and technopoles for this to

■ Orange and its National Front mayor: by Andrew Jack

Orange is one of the three towns where France's right wing National Front has gained its first local election victories

Walk around the southern French town of Orange with Mr Alain Labe, the former mayor, and you could quickly get the impression of a settlement beading towards rapid destruction under its new administration.

The water bas been switched off in the fountain be built, his experimental pavements designed to slow the traffic have been demolished, and the historic monuments have seen their entrance prices raised.

These are only some of the most immediate and most visible of a series of radical changes brought about since June, when the municipal elections held every six years across the country led to a sharp swing in power from the political left to the extreme right in the town. For many years, those outsiders - in

France and from abroad - who had hear of Orange at all knew probably a maximum of three things about it the impressively preserved Roman theatre, the cultural festival beld within it every summer, and its Dutch heritage dating from the 13th century.

In the last few months, the image has changed drastically as a modest Provence settlement of 28,000 people has become the subject of intense national and even international media attention following the election of a mayor from the extreme right-wing National Front party.

Mr Jacques Bompard, the mayor in question, is not alona. For the first time this summer, the National Front claimed victory in three municipal elections: Orange, Marignane and Toulon, all towns

in the south of France.
While Orange is not the largest of the three, Mr Bompard has quickly turned himself into the most widely observed of the NF mayors, due both to his outspoken views and to a series of quick-fire decisions that he has made during just a few months since being installed in his office in the townhall.

Mr Jean-Marie Le Pen, leader of the party, lost little opportunity to wallow in the three victories for his party in June. But Mr Bompard argues that given the record 15 per ceut score for Mr Le Pen in the presidential race in April, the low number of townhalls held by his party is "scandalous" and would be much higher if France was "a representative democracy". That is rather typical of the rhetoric of

Mr Bompard, and no doubt one of the reasons explaining why he won his election: simple snappy, populist formulae which send a powerful message, but are not always an exactly comprehensive summary of the true situation.

After all, one reason that the NF has nothing like 15 per cent of French townhalls after the municipal races is because the party did not put up candidates in very many settlements, knowing that the strength of support it was likely to achieve and its ability to organise was generally to be found in the larger towns.

In another example of his style, Mr Bompard quickly decries the state of the finances of the town budget that he inherited - and that be made a cornerstone of his campaign - by saying



simple formulae that don't tell the whole story

that Orange is in debt to the time of more than FFrim per inhabitant. Closer questioning reveals that this amount has heen calculated in old francs - in current money the figure is 100 times less.

He is equally able to capitalise on his party's lack of experience of elective office to stress that it is the only one free of the taint of corruption allegations that have harmed many of the mainstream political groupings around the country. "You can't reproach us for anything," he says.

There is certainly no overtly racist

rhetoric peppering the new meyor's

Like his fellow NF mayors, the national party may be calling for priority to be given to French citizens above immigrants, but he has to work within the constraints of the existing laws, which are

Mr Bompard says his first priority is to get the town's finances into shape, including cutting at least FFr21m from next year's budget. His aim is to reduce local taxes after his first three years in office. Meanwhile, he has hired three additional policemen for the town. "I don't do things by ideology, but by common

He does refer to his idea of "Orangeois d'abord" - priority to local residents before others. This policy has already started to take effect. He has cut off the grant and rent-free premises of the town's medical sports centre, saying it provides assistance to people from all over the Northern Vaucluse region, but is largely paid for by Orange.

He is cancelling an annual grant and demanding reut and free tickets for the annual Chorégies cultural festival largely, some suspect, in a fit of pique at being snubbed as chairman of the event, which has traditionally been offered to the mayor or a deputy.

He is also threatening with closure through cancelling grants and removing rent-free premises - the local employment

It just so happens that many of those reached by these two initiatives are those of immigrant origins. "If they are working, I am delighted that they are here," he says. "If they are unemployed, I would prefer they are unemployed somewhere

Mr Bompard'a victory in Orange was precarious. He was aided by intense faction-fighting among his political rivals: two lists of candidates from the Gaullist RPR party, and two left-wing lists battled it out, splitting the vote and refusing in a second-round to form a "Republican front"

Even so, he only won by 87 votes reduced to 84 in a re-count. He also faces the risk of having the election annulled and a new one held early next year if a court in Marseilles upholds Mr Labe's contention that some of the NF's pre-election campaign publicity was

alection victory. He has got to know many in the town through pacing the streets over many years. Now in office, he still departs for regular walk-abouts to talk to

residents about the issues they face. The question is whether during his term in office such populism will be enough to counter-balance the ill-will he is creating, inflated by an undeniabla tendency of his critics to demonise his every mova. Orange has a long historical tradition for quickly shifting its political allegiances.

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Beyond the blue horizons

Southern France aspires to be the lynchpin of an ever-expanding transport network

They call it the Mediterranean

Throughout southern France people see their area as the keystone of a geographical arch stretching from Catalonia in the west to Lombardy in the east. To fulfil this role, however, this part of France urgently needs better transport links.

In soma parts, it is more developed than in others. For example, Languedoc-Roussillon feels it has better rail prospects than Provence-Alpes-Côte d'Azur (Paca) thanks to the the axistance of firm plans to extend the TGV from Montpellier to Barcelona. There are no

A road tunnel from Nice to Turin is under consideration

plans yet for a similar link between the Côte d'Azur and northern Italy.

Last month, President Jacques Chirac and Spanish Prime Ministar Fslipe Gonzalez endorsed the TGV project to link their countries by the year 2005, with a sub-Pyrenees tunnel between Perpignan and Figueres. How it will be financed, and quite where It will terminate, has yet to be decided - Mr Alain Clary, the new mayor of Nimes, wants

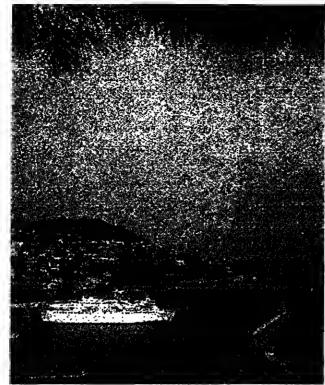
TGVs to make alternate stops in his city and nearby Montpellier, a suggestion which may not appeal to Mr Georges Freche, the forceful long-serving mayor of Montpellier. Languedoc-Ronssillon's

sense of its own geographical advantages is further reinforced by proposals to extend the A-75 highway from Clermont-Ferrand in cantral France straight down to Béziers, thus avolding the detour thet north-bound Languedocians have long had to make through the Bouches du Rhône. Another axis to Lan-guedoc-Roussillon may ba as important as the 18th century Canal dn Midi from Bordeaux to the port of Sète.

Further east, greater priority is given to building the proposed Mercantour road tunnel from the Nice-Cannes area to Turin. The aim is to forge better links between the French Alpes Maritimes and Italy and to win business from Turin for Nice airport - by coincidence Nice was rulad from Turin ontil 1860.

"The TGV is not a priority for us unless it extends on into Italy," says Mr Gilbert Stellardo, deputy mayor of Nice. "Bnt the TGV is already to go from France to Italy via Mont Blanc." Mr Marc Reynaud, director of infrastructure for tha Alpes Maritimes Department, believes that both TGV and Mercantour links are necessary. "Otherwise the Mediterranean Arc will by-pass Marseilles and Nice and go via Lyons and Turin." Mr Clive Raymond, a former

manager of British Airways in France who now heads Nice



airport's marketing drive, claims that even if the TGV is extended eastward from Aixen-Provence to Nice, the latter's airport is the only airport in France which would not to be threatened by the TGV. Nice's distance from Paris, plus the difficulty of running tha TGV at full speed through the densely populated Côte d'Azur, will always keep the city's airport competitive. With 6.2m passengers passing through it last year, Nice

two semiconductor plants rep-

tional gateway to southern France. It has 42 regular airlines flying out of it to 91 direct destinations in 33 countries but this is not enough for Mr Raymond. He would like to see more direct links to the US -Delta has already daily direct flights from New York in the summer - and to Asia. From eastern Europe, Aero-

flot now flies to Nice - bringing in Russia's nouvagux riches and, it is said, its Mafia

to "party" on the Côte d'Azur as does Lot of Poland. Mr Raymond also wants flights from Prague and Budapest and even more important, from more regional centres in Spain, Italy and France itself. "It is very important to provide feeder services for long-haul

flights," he says. To handle such increases in business, Nice plans a rather ingenious expansion. This will shift one of its two runways reclaiming more land from the sea, and join its two separate terminals into one long terminal with direct access to aircraft, so saving apron space.

None of this development of Nice, claims Mr Raymond, need be at the expense of Marseilles airport at Marignane or tha airport at Montpellier where Air Littoral is based. Marseilles, which handles about 5m passengers a year, is complementary to Nica,

south links, specialising in links with Africa and in freight, he says.

Marseilles' recent sea transport bottlenecks have been of its own making, or rather those of its dockers. Until 1994, Marseilles' dockers operated rather as a medieval guild of independent workers, and as a closed shop were able to dictate terms to the port authorities, shippers, and local indus-

also in the vast new industrial complex created by President Pompidou in the early 1970s at Fos and around the inland lake

gra rises 26"

searnings sio

of the Etang de Berre. Reform has finally come. The dockers are now salaried employees of the port and much reduced in number. Recovering from a low of 88 tonnes in the strike-ridden year of 1993, Marsellles-Fos handled 92m tonnes last year, and the prospects are for

■ Electronics and semiconductors: by John Ridding

The factories are going up

Cézanne would have been amazed by the latest instrusions on his sunny landscape

At the foot of the Saint Victoire mountain near Aix-en-Provence the quiet of the countryside made famous by Cézanne is about to be broken by the sound of construction

The building projects - new semiconductor plants for SGS-Thomson and Atmel of the US - mark the latest step in the expansion of the region's electronics industry. And, over

tor has become as important to the local economy as the flattopped mountain was to the French artist.

From IBM in Montpellier to Digital Equipment in Valbonne, many of the giants of international electronics are present in southern France. Drawn by research facilities, the logistical considerations of the southern European market, and by the presence of suppliers, foreign and French groups have made the sector a main-

For the moment, it is in the mini silicon valley of Rousset in the shadow of Cézanne's mountain that the pace of recent years, this business sec- development is quickest. The

Provence-Alpes-Côte d'Azur: electronics plants by activity and number employed January 1, 1994 50-99 100+ 10-49 20 41

Bouches du Rhôn number	e: elec	tronics ed, Jan	plants uary 1,	by ac	tivity and
Activity	0-9	10-49	50-99	100+	TOTAL
Passive components	9	1	0	0	10
Active components	11	6	0	5	22
TOTAL	20	7	Q	5	32

resent a combined investment of about FFr6bn and will bring stay of the local economy. about 1,500 jobs to the community. They will also confirm the Bouches du Rhône Department as one of France's biggest micro-electronics centres, with

about 25 per cent of national sales of FFr13bn, according to the area's development agency. **CANNES** Given the local economic tradition of mining and agriculture, the rise of the microelec-RIVIERA tronics sector requires some explaining. Mr Bernard Prunlaux, chief executive of Atmel Winter Fun ES2, sees the development as a natural progression. Partly spurred by investment incentives to compensate for the PER ROOM IN DOLBLE ROOM decline of traditional industries, big names such as National Semiconductor and Thomson were drawn to the wble occupancy

> further investment from the emiconductor producers. Mr Pruniaux himself has experienced much of the development of the past 15 years. From Eurotechniqua, which was taken over by Thomson of France, ba moved to ES2. Following the purchase of a controlling stake in the European company in April by Atmel, he is now chief executive of Atmel ES2. His first task is to oversee a \$50m investment in the company's existing wafer fabrication plant and the building of

region. Their expansion helped

draw support industries and

the new FFr2bn unit. For SGS-Thomson, Its big new project at Rousset, due to start production in 1998, partly reflects the company's strategy of building plants where it has existing operations. Mr Alain Dutheil, vice president for strategic planning, also cites the development of subcontractors, suppliers and related compa-

nies around the site. Some of the related companies are the result of spin-offs from the existing players. Mr Christian Carlier, head of SGS-Thomson's Rousset operation, cites the example of Gemplus. the thriving smart-card manufacturer, which was shed from the Franco-Italian manufacturer as part of its restructur-

ing at the end of the 1980s. The network of related companies and the presence of suppliers has helped the local investment agency draw new businesses to the sector. So has the financial assistance provided by Rousset's status as an industrial cooversion zone. But the greatest help has come from the semiconductors

The FFr4bn investment by SGS-Thomson, for example, is aimed at capitalising on sales

growth forecast to exceed 40 per cent for the industry this year. With its sights on a Top 10 ranking - it is currently number 13 - it needs the new plant to satisfy demand and to extend its market share.

Funding has been facilitated by the sharp rise in its share price, which has doubled from the FFr119.95 at which the company was floated last December in Paris and New York. The rise in the share price itself reflects the climb in profits which increased from \$253m to \$358m in the first nine months of the year.

But will the boom in the semiconductor industry turn to bust? And could the new chip plants springing up in the region be threatened by the same fate as the smokestack industries they have helped replace in the local economy?

Most analysts accept that the growth rate in the semiconductor market will be hard to sustain and that margins will ultimately come under pressure as new capacity comes on stream. There are 15 companies aiming for 10 per cent of the market." says Mr Bill McClean. vice president of Integrated Circuit Engineering, the Arizona-based research and consultancy group. He points to investment projects in the US. Europe and Asia as evidence of growing supply and the fight

for market share. But Mr McClean, like other observers, believes that growth will remain in doubla digits until 1997 at least and that the industry is less cyclical than it was. This partly reflects the rise of specialised semiconductors with industry-specific applications. SGS-Thomson, for example, has a strong position in Flash and Beproms - chips which can be re-programmed within an electronic system and in chips for the telecoms

and automotive sectors. "No one has a crystal ball. bnt there are many reasons why we won't see a collapse as we did in the 1980s," says Mr Dutheil. Hs adds that SGS-Thomson has focused on high growth, high margin and relatively stable products which are less cyclical. Mr Pruniaux is similarly san-

guine. "There is strong underlying demand from many industries and there are several different cycles at work now. So the ups and downs will be less sharp," says the Atmel ES2 executive. Like many of his counterparts in the industry be is more likely to lose sleep over the start-up date for the new plant than



■ Grasse and its secrets: by David Buchan

The sweet smell of prosperity

How a small town in the mountains near Cannes tickles nostrils and palates around the world

Grasse, a little town clinging awkwardly to a hillside north of Cannes, has a big share around 10 per cent - of the world market in dalicious

scents and flavours. These are no longer just the essences first distilled from local plants such as jasmine, rosemary and lavender for the Paris aristocracy of the 18th century. Grasse now imports raw materials from around the world, and transforms them into essences for perfumes, cosmetics, detergents, even insecticides, and aromas for yoghurts, ice cream, confectionery, biscuits, soft drinks

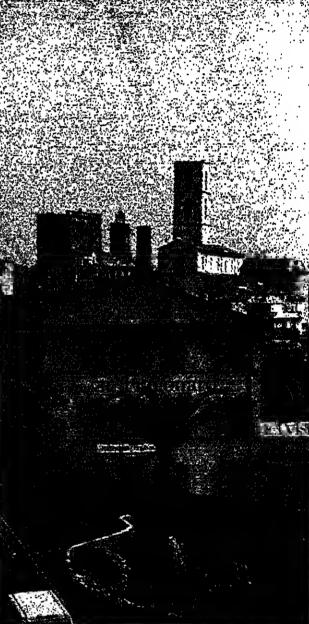
and frozen foods. Of the 70 companies that belong to France's Syndicat National des Fabricants da Produits Aromatiques, 30 are based in Grasse, employing 2,800 people. They account for FFr2.8bn of the country's total FFr6bn annual output of perfumes and aromatics, of which

shoots of big groups such as Rhone Poulenc, Elf Sanofi or Bayer of Germany which has just bought up the Grasse com-

pany of Florasynth. Others have kept their independence. They include Robertet, which is still controlled by the Maubert family which founded it in 1850 and which is broadly representative of the industry because it is active in raw material extraction, perfumery compounds and food flavouring.

Its managing director, Mr Joseph Rigueci, and his dep-uty, Mr Lionel Picolet, admit tha company is mainly in Grasse for historical reasons The town is relatively unwelcoming to industrial activity." says Mr Picolet. "The tourists get in the way, and costs are high."

But he stresses that Grasse still remains "the intellectual capital" of the world perfume industry, because it has people "with a knowledge of the raw materials and a sort of atavistic sense of smell instilled into them". Mr Rigucci says that iaries. Like other Grasse comthere is thus no need to insist that his Grassois employee should all be chemists - "it



Visitors welcome: the perfumes factory of Pragonard in Grasse

sumers but to manufacturers

licly and Robertet is far too

discreet to claim credit.

would be like insisting that panies, its sales are not to con-Van Gogh take painting lessons" - though modern extraction and distillation techniques require some trained chemists Robertet imports about 1,000 different raw materials, chiefly from China, India, Turkey,

such as L'Oréal, Procter & Gamble and Unilever who incorporate Robertet essences and aromas into their own Increasingly, perfume manu-Egypt and South and Central facturers rely on companies America, and 80 per cent of its such as Robertet to invent new FFr700m annual sales are perfume brands; but they would never admit this pubabroad, with 40 per cent in the US where it has three subsid-

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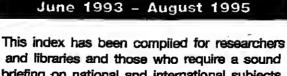
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FINANCIAL TIMES COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1995

Wednesday November 8 1995

IN BRIEF

Astra rises 26% as earnings slow

Astra, the Swedish pharmaceuticals group, reported a 26 per cent increase in pre-tax profits to SKr2.12hn (\$1.37bn) in the first nine months, but earnings growth slowed markedly in the third quarter and the result failed to match average market expectations for the first time in many quarters. Page 16

Battle for Czech funds heats up A takeover battle surrounding the Czech Republic's big investment funds escalated after one of the country's main banks, Agrobanka, said it was behind an attempt to wrest control of the funds from more established competitors. Page 16

Pitfalls for Pechiney on privatization road Pechiney shareholders gathered on Monday to approve plans for privatisation and prepare for a launch of the operation as early as the end of the month. But e smooth sala is far from a formality for the French aluminium and packaging group.

Overseas banks attack Frankfurt's 'flaws' Foreign banks in Frankfurt still see significant weaknesses in Germany's main financial centre, in spite of efficiency gains in recent years, according to Landeszentralbank in Hessen, the regional central bank for the state of Hesse. Page 17

Nippon Steel rebounds amid sluggish sales Nippon Steel, Japan's largest steel maker, reported first-half recurring profits – before tax and extraordinary items - of Y29.4bn (\$285m), compared with a loss of Y28bn in the same period last year, in spite of stagnant domestic sales. Page 18

Gencor retreats from S African gold mining Gencor, the South African-based natural resources group, announced a partial retreat from the local gold mining industry as it agreed to sell four of its mines to Randgold in a R150m (\$41m) deal. Page 18

Turner Broadcasting doubles to \$40m Turner Broadcasting System, Mr Ted Turner's US cable television group which is currently finalising a \$7.5bn merger with Time Warner, reported a douoling of net income to \$40m in the third quarter before one-off charges, Page 20

Generator reaffirms overseas ambitions National Power, the larger of the two privatised UK generators, insisted its international ambitions would not be constrained if its £2.8bn (\$4.42bn) bid for Southern Electric is successful. Page 21

Allied Domecq slipe 21% to £494m Allied Domecq, the UK drinks group, reported a 21 per cent drop in annual pre-tax profits to £494m (\$780.5m), hit by the costs of reshaping its businesses, sharp discounting in some spirits markets and e steep drop in UK beer profits. Page 22

Venture capitalists head for final frontier Venture capitalists are moving into Ukraine, east Europe's last large investment frontier, where companies in the growing private sector desperately need investment to expand in a virgin market of

Ispat

NBC

National Power

Nava Fin & Secs

Pizenska Banka

SBC Warburg

News Corp

Nippon Steel Northumbrian Wate

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Samsung

Solaria Sony Stena Line

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Sweeping changes in SBC management

By lan Rodger in Zurich and John Gapper in London

Swiss Banking Corporation yesterday disclosed sweeping changes in the man-agement of the group and SBC Warburg, its investment banking division, sparked by the decision of Mr Walter Frehner, its chairman, to step down next May.

Mr Marcel Ospel, the 45-year-old investment banker who led SBC in mak-ing three international investment banking purchases in the past four years, is to be promoted from chief executive of SBC Warburg to group chief executive. He will succeed Mr Georges Blum, who will become chairman. Mr Blum is

credited with bringing a much tighter management discipline to a bank which had suffered several highly-publicised loan losses in the early 1990s.

Mr Hans de Gier will become chairman of SBC Warburg, the firm formed following the £860m (\$1.3bn) purchase of S.G. Warburg, the UK investment bank, this year. He will take the place of Sir David Scholey, who is stepping down

immediately. Sir David, who oversaw S.G. Warinvestment bank in the 1980s, will no longer have a management role, although he will become chairman of SBC's council of international advisers.

SBC Warburg said the move was an "orderly transition" that Sir David had wanted. The investment bank also announced the full membership of its investment banking board, to which a number of younger executives have been promoted.

Separately, Mr Ospel disclosed that SBC Warburg has suffered 300 defections among staff since the investment bank was formed in May. It has recruited 300 employees, and there have been 1,200

The changes were announced as SBC disclosed that Mr Frehner would step down on May 7. Mr Frehner, who is 62, said that he wanted to "assure longerterm stability in the leadership" of the

SBC group.

Mr de Gier, a 50-year-old Dutchman with a background in corporate finance and capital markets, worked alongside Mr Ospel in developing SBC's invest-ment banking business. He has been working in Asia since the Warburg pur-

SBC Warburg announced tha full membership of its executive board, responsible for the day-to-day running of the business, and its investment banking board, which will be in charge of initiatives for gaining business. A number of members of the SBC Warburg executive board will join the

SBC executive board from January. These are: Mr George Feiger, Mr Markus Granziol, Mr Andy Siciliano, Mr David Solo, Mr Rodney Ward and Mr Roland Wojewodzki.

Among former S.G. Warburg executives on the investment banking board are Mr Derek Higgs and Mr Nick Verey, the former chairmen of Warburg's merchant banking and securities arms, as well as Mr Rory Tapner, head of equity capital markets.

The investment banking board is to be chaired by Mr Ken Costa. Lex, Page 21; SBC results, Page 16; Changing the guard, Page 13: MAM

Teams win unexpectedly large \$1.7bn package for broadcasting rights

Baseball on home run with TV deal

By Christopher Parkes in Los Angeles

Sharpened competition in the US sports television market has belped major league baseball teams win an unexpectedly large payment for broadcasting rights over the next five years.

A \$1.7bn package has been agreed with four TV groups: News Corp's subsidiary Fox; the new cable company being forged from interests owned by News Corp and Liberty Media, a subsidiary of the Tele-Communications Inc group; ESPN, the world's leading sports business, now controlled by Walt Disney; and NBC, the US television group.

The deal — equivalent to about

\$12m annually for each club exceeded expectations damped by a strike which shortened the 1994 and 1995 seasons, reduced atten-dances by about 20 per cent, and allegedly altenated fans. However, the sport's commer-

cial attractions have been height-



Dominating the field: baseball teams will each benefit to the tune of \$12m a year from broadcasting deal

the emergence of the News Corp/ TCI venture. But perhaps the most telling factor was a stirring World Series starring the Cleveland Indians, and the victorious Atlanta Braves, owned by Turner Broadcasting System.

TBS, being merged into the Time Warner media and entertainment group, failed to purchase any rights to league games in general because of uncertainened in the past few weeks by increased competition, partly by ties over its future status within Time Warner. However, it said it

would exercise its right as the club's owner and show all 120plus Braves' games next year. Fox and the new cable company will pay e total of \$763m for

their piece of the action. ESPN, which will contribute \$440m, decided to continue coverage despite earlier reports that it was withdrawing.

Similar considerations are likely to have encouraged the continued participation of NBC, which will pay \$440m.

Mr Richard Ebersol, president of NBC Sports had sworn to shun the game when the leagues started negotiations with Fox in June after cancelling a contract with NBC and the ABC network.

On Monday, he said he saw the light after his boss, Mr Jeck Walch, chairman of General Electric, which owns NBC, helped him over his "emotionalism". BSkyB's rugby deal, Page 8; Hits first base, Page 20; Editorial Comment, Page 13

French bank lifts Ambroveneto stake

By Andrew Hill in Milan

Crédit Agricole, France's biggest mutual bank, is to pay nearly L300bn (\$188m) to lift its stake in Banco Ambrosiano Veneto. one of Italy's largest banks, to just over 30 per cent.

The move will etrengthen Crédit Agricole's position as the largest sharebolder in Ambrove-neto, and should belp safeguard the Italian bank from bostile akeover for seven years - the duration of a defensive pact signed by the French bank and otber core sharebolders in Ambroveneto.

The increase in Crédit Agricole's stake confirms the French bank as the clear winner of e stand-off earlier this year with Istituto Bancario San Paolo di Torino, Italy's biggest bank,

After disagreements over Ambroveneto's strategy, San Paolo agreed to sell most of its 20 per cent stake to Crédit Agricole and other members of the sharebolder pact. Alleanza, the Italian insurer, should increase its stake to 16 per cent, and e group of banks from Lombardy and the Veneto region will together own ebout 26 per cent. French banking sources con-

firmed yesterday that Crédit

Agricole was to lift its stake to just over 30 per cent, although the bank declined to comment. Ambroveneto's existing share-

holders are to pay L7,000 a share for the San Paolo bolding. Although the price looks bigb compared with yesterday's closing price of less than L4,000, lt represents e premium for control of one of Italy's largest and most efficient banks. Ambroveneto grew from the ashes of Banco Ambrosiano, which collapsed in 1982 under the leadership of Mr Roberto Calvi.

A year ago, Banca Commer-ciale Italiana, another Italian bank, said it was prepared to pay L7,000 a share for control of Ambroveneto, but the approach was rejected after less than e week when shareholders rallied to the target bank's defence.

San Paolo will receive L675bn for the 19.22 per cent stake it is selling, realising e capital gain of L235bn.

The French bank, which first took a stake in Ambroveneto in 1989, can expect to increase the number of directors appointed to the Italian bank's board. Four directors linked to San Paolo are likely to step down and be replaced by representatives of tha sharebolder pact.

UK eases way for Lyonnaise des Eaux to bid for utility

By Christopher Price in London and Andrew Jack in Paris

J voornine das Feux Shares in Northumbrian Weter rose Marks and Spancer sharply yesterday after the UK government gave the go-ahead to Lyonnaise des Eaux's potential bid for it under

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16, 15

conditions less onerous to the French group than expected. The shares rose 66p to 1074p.
Mr Ian Lang, trade and industry secre-15, 20

tary, said Lyonnaise must make price

next six years. This compares with 15 to 20 per cent over five years recommended by the Monopolies and Mergers Commis-sion and the Department of Trade and Industry in the summer.

Northumbrian has agreed to meat with Lyonnaise, which owns the neigh-bouring North East Water, early next week. However, Northumbrian executives expressed disappointment at the

cuts of 15 per cent to customers in the combined weter businesses over the change by Mr Ian Byatt, tha industry regulator, who advised the DTI, in the amount and timing of the price cuts. "We are staggered by the regulator's decision to reduce tha conditions attached for e bid," said Mr Mike Taylor,

finance director Mr Byatt denied he had put e timescale on his recommendations to the MMC and said the five-year period had come from the DTL "The costs the com-

pany will have to cut still represent a great challenge for the company." Mr Patrick Babin, the Lyonnaise director responsible for international financial negotiations, agreed. "The conditions they have imposed are extremely tough. They will have a negative impact on the

The French group announced its intention to bid for Northumbrian in March, but has waited for the regulatory process to be completed before it details

its proposals. The enlarged group would have just over 1m customers and a combined turnover of nearly £400m (\$632m). Mr Babin said that Lyonnaise's "preferred scenario" was a friendly offer for the group, but that "all the options are open" including either e hostile offer or dropping the plan.

Mr Taylor said Northumbrian would be seeking a "significant premium" to yesterday's closing share price. Lex, Page 14; Background, Page 21

Barry Riley

US Treasuries enjoy an export boom



markets this year has been the fall in the long US Treeeury bond yield from 7.87 per cent on January 1 to under 6.8 per cent recently. This is similar to the level reached at the end of

Managed funds service Money merkets New Indi band listues 1993 (ignoring the brief spike New York shere service Recent Issues, UK down to 5.78 per cent).

But unlike in 1993, when the main demand came from US Short-term int reses US interest rates World Stock Merkets banks and other institutions, notably hedge funds, much of the money flowing into the US Trea-sury market this year has come Chief price changes yesterday from abroad - especially from the Bank of Japan and other Asian central banks which have sold their own currencies for dol-

lars which they have mostly invested in bonds. The scale of this bond market intervention up to the end of June has now been documented in the Securities Industry Association's latest quarterly analysis Foreign Activity. The second quarter saw the greatest downward pressure on the dollar's exchange rate against the yen, and intervention surged correspondingly. Thus foreigners bought \$43.5bn of US Treasuries in the second quarter, and total dollar bond acquisitions reached \$62.6bn for the three months and \$116.4bn for the first half. But while foreigners were

sa 5hn in January-March. Instead,

A key to the tune of nearly \$30bn by the end of August.

Foreigners have been big buytonal eccurities ers of dollar honds throughout the 1990s but the first half of 1995 saw a further marked accelera-tion. The SIA makes the point

that the \$76bn of net purchas US Treasuries from overseas during January-June represented 86 per cent of net issuance of public debt. Effectively, domestic savings flows in the US were freed to chase the stock market

In 1993, Wall Street was dull, despite the strength of bonds. While foreigners

were aggressively buying bonds they shunned the booming US equity market

But this time the band inflows have been twice as big and corporate profits growth has been better than it was two years ago. And whereas in 1993 US money spilled into emerging markets overseas, this time it has scarcely happened, perhaps because of the damage done to confidence by the Mexican crisis.

You might say that American investors have been priced out of their own bond market. Recently, aggressively buying bonds they shunned the booming US equity market. Net purchases of equities of \$5.8hm in the second quarter 10-year German bunds have been yielding as much as 50 basis points more than the equivalent US Treasuries. The behaviour of only just outweighed not sales of mutual fund investors also tells a revealing tale. Government bond global equity managers have been piling into Japan this year, funds have remained in net redemption this year, and gross

sales of equity funds have been running at nearly twice the level of bond and income funds in

August and September.

Meanwhile, the Treasury bond market is blithely ignoring the political antics over the budget and the debt ceiling in Washing ton. True, if the budget deficit is really going to disappear by 2002, as Republicans are proposing, current yields may be sustain-ebla. But Mr David Hala, of Kemper in Chicago, seys that market will be severely disappointed by the eventual outcome of the budget stand-off.

President Clinton is encouraged by signs that the Republi-cans are slipping in the opinion polls, and he may decide to fight vigorously to protect Medicare -e valuable benefit which is popu-lar with the middle classes. If the ontcome is not as benign es assumed, yields could easily back np by 30 or 40 basis points. At any rate, there are the ele

ments of serious structural dis-

tortion in the US securities markets. Foreign buyers have hid up bonds, often for non-investment reasons, while equity prices have gone sky-high and value indica-tors, such as price-to-book, have swung right off the normal scale. Sooner or later, the markets will have to come back into line. It does not have to happen as in early 1994, when bonds crashed dramatically because unstable financing positions had to be unravelled in a burry. The forlow-travelling local institutions are playing a longer game, pri-marily to sustain the fundamentally unstable US trade position.

This announcement appears as a matter of record only



Koninklijke PTT Nederland NV

Offer of 115,000,000 Ordinary Shares by The State of The Netherlands at NLG 55 per Share raising NLG 6,300 million



N M Rothschild & Sons Limited acted as financial adviser to The State of The Netherlands

October 1995

Mariant Burnings

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But they are not there on this

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Belleli shakes up top management

Belleli, the Italian engineering contractor, is to appoint an outside manager as chief executive, to help the family-owned company through difficult financial and industrial restructuring. Mr Renato Cassaro, 55, will join from Fintecna, the industrial and civil engineering subsidiary of IRL Italy's state holding company. The appointment of an independent chief executive was one of the demands of creditor banks. which are deciding whether to back the restructuring.

The move will distance the Belleli family from day-to-day management. Mr Riccardo Belleli, the current chief executive and son of Rodolfo, the founder-chairman, will become the group's deputy chairman. The group ran into financial trouble during the summer after the Saudi Arabian and Italian governments delayed payments oo certain contracts. Italian and foreign banks, which in September had L800bn (\$501m) of

loans outstanding to Belleli, refused to extend further credit. Belleli said yesterday that creditors representing about 50 per cent of Belleli's outstanding debt had agreed to a financial and industrial restructuring plan, which would include the rescheduling of loans and the granting of L365bn of new financing to guarantee ongoing cootracts. The plan oeeds 75 per cent backing to go through, and could reach that lavel of support if Banco di Napoli and Banca Nazionale del Lavoro decide today to back it.

Pipeline dossier price 'too high'

A tender announced by EuRopol Gaz, a joint Polish-Russian company, to arrange \$2.4bn worth of financing for the 635km section of a proposed gas pipeline linking the Jamal pensinsula with western Europe is running into problems over the price of tha information dossier for the project. Foreign investment banks interested in competing say that the 150,000 zloty (\$61,000) being asked by EuRopol Gaz is extraordinarily high. According to one bank, no one has yet purchased the dossier. EuRopol Gaz, which is part owned by Gazprom, the Russian gas monopoly, will build and operate the Polish section of the pipeline.

"The fees on this kind of project would run to between \$20m and \$25m and that's fine for the company which wins but the others are being asked to pay out a relatively large sum with no certainty of being abla to recoup it," said one banker. According to the company the aim of setting the high price was to cut down the number of bids in order to be able to appoint an adviser soon.

Thermosyntex takes Azot stake

Thermosyntex, a Liechtenstein chemicals company, is to buy a 30 per cent stake in Azot, a partially privatised Ukraiman mineral and chemical products manufacturer. The deal puts Thermosyntex among the largest foreign investors in the second biggest former-Soviet republic. The Liechtenstein company will buy the equity stake for \$10m and invest an additional \$70m in Azot, based in Cherkassy, a city on the Dnieper River in central Ukraine.

The agreement was signed with Ukraine's state property fund, the government agency charged with selling off tha country's large and struggling state sector. To allay the suspicion toward western capital, Thermosyntex agreed not to reduce Azot's workforce, to raise wages by 30 per cent and to provide all benefits.

France Telecom arm 'to cut loss'

France Télécom's subsidiary France Télécom Mobiles will post a smaller operating loss in 1995 than 1994's FFr800m (\$163m), said the unit's chairman Mr Michel Bertinetto. Equilibrium would be achieved by the end of 1996 and the unit should reach break-even in 1997, he said. France Télécom said it had invested between FFr8bn and FFr10bn in the mobile telephone network and expected the number of subscribers to reach 700,000 hy the end of 1995 and 8m by 2000. AFX News, Paris

■ Citihank has decided to make Warsaw, the Polish capital, its centre of operations for central and eastern Europe, Mr William Rhodes, bank vice-chairman, said yesterday. "This is a sign of our confidence in Poland's potential." he said. Christopher Bobinski

 Stena Line, the Swedish shipping group, yesterday posted profits after financials down 53 per cent from SKr578m to FFr272m (\$40.6m) for the first nine months. The company said the weaker result was mainly caused by a sharp drop in passengers on longer routes, especially in Scandinavia. Other factors were increased competition from the Channel Tunnel AFX News, Stockholm and higher fleet capacity costs.

Astra posts 26% increase at nine months

By Hugh Carnegy in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday reported a 26 per cent increase in pre-tax profits in the first nine months, but earnings growth slowed markedly in the third quarter and the result was below average market expectations for the first time in many quarters.

Nevertbeless, investors explanation that the faltering in its recent spectacular growth was mainly because of technical factors linked to changes in its accounting of sales and profits from its topselling, anti-ulcer drug, Losec, The most-traded Astra A share recovered after an initial fall to close in Stockholm at SKr239, up SKr2.50. Shares in Glaxo Wellcome, which markets Losec's main competitor, Zantac, rose 16p to 887p in London.

By Jenny Luesby

on sales in 1995.

The surge in demand and

prices for chemicals over the

past year has seen Bayer, the

German chemicals company,

move "a good deal closer" to its desired level of profitability,

the group said yesterday. But it now looks unlikely to reach

its goal of a 10 per cent return

Unveiling a 43.8 per cent increase in pre-tax profit for

the third quarter, to DM906m

(\$641m), on sales up 2.4 per cent at DM10.84bn, Mr Manfred

Schneider, chairman, said the gains from the recent upturn

in the industry were still being

For the first nine months,

the group had achieved a pre-

tax margin of 9.7 per cent, com-

pared with 7.3 per cent last year. It remained hopeful that

it would heat its previous record for annual pre-tax prof-

However, the adverse cur-

rency movements that had

curbed growth in the first half

had given way in the second to

stagnant and even declining

demand. Prices, which rose 3 per cent in the first half, were

static in the third quarter and

With fewer commodity chem-

were now declining, he said.

icals in its range, Bayer was

less sensitive to this "cooling

in the economic climate" than

many, Hoechst and BASF. But

the group was less optimistic

about next year than it had

The strongest growth this

year came from the polymers and industrial chemicals divi-

its main competitors

its of DM4.11bn set in 1989.

Surge in demand

advance at Bayer

behind 43.8%



Astra's pre-tax profits in the first nine months rose from SKr7.2bn (\$1,07bn) SKr9.12bn, but fell just short of the expected SKr9.3bn, on group sales ahead 33 per cent from SKr20bn to SKr26.7bn. In the third quarter, pre-tax profits were up just 3 per cent, from SKr2.7bn to SKr2.7bn, on

cent and 7 per cent respec-

tively, but demand for these

was now "tailing off". Meanwhile, all the group's

businesses had been held back

by currency movements, which

had translated a 10 per cent

increase in foreign sales in

local currencies, to a rise of

just 2 per cent in D-Mark

In North America, sales rose

11 per cent to local currency in

the first nine months, but fell 4

per cent when converted into

D-Marks. "Had exchange rates

remained stable," Mr Schnei-

der said, "our earnings would have heen some DM500m

Tha group had also heen

held back by continuing diffi-

culties in its fibres business,

and a poor performance at

Agfa. Fibres was now the group's only lossmaking busi-ness, but it had seen further

deterioration this year caused

by rising raw materials costs

The group was also in talks

on the disposal of its titanium

dioxide husiness. A proposed

deal with Du Pont of the US

had fallen through at the last

minute, Mr Schneider said, due

to concern about the high cost

of production in Europe at cur-

A recurrent problem for the

group was German labour

costs, he said. Wages still

sales revenues, in spite of

Hoechst, which is pursuing a

more radical rationalisation,

has cut its wage ratio to 29 per

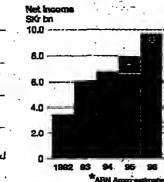
cent in Germany and to 26 per cent for the group as a whole.

rent exchange rates.

accounted for 31

heavy joh cuts.

and aggressive competition.



ing profits in the third quarter fell by 2 per cent from SKr253bn to SKr25bn. Astra attributed the slowdown to the effects of a shift this year in its marketing of Losec in the US, from a licen-sing agreement with the US

By Vincent Boland in Preque

A takeover battle surrounding

the Czech Republic's big investment funds intensified

yesterday after one of the

country's main banks said it

was behind an attempt to

wrest control of the funds from

Agrobanka, the largest of the

new banks created by private

investors in the past four

years, said it had financed a

series of stock market raids by

Plzenska Banka, a smaller

bank trying to wrest control of

at least six funds that own

important stakes in privatised

Plzenska has spent at least \$35m buying stakes in the six

funds in the past month. It has

already gained control of three

smaller funds in this way and

taken over as fund manager.

Its huving spree has caused consternation among large fund managers, which have

Czech companies.

more established competitors.

a 28 per cent rise in sales from

SKr6.7bn to SKr8.6bn. Operat-

company Merck to a joint ven-ture between the companies, called Astra Merck.

Since late last year, Astra has moved from receiving licensing income on an annual basis to receiving its 50 per cent share of Astra Merck profits on an on-going basis. Astra said this meant profits in the

Czech funds battle heats up

been frantically buying shares to their own funds to head off

The targets include funds

run by institutions such as

Komercni Banka, Ceskosloven-

ska Obchodni Banka, Creditan-

stalt and Zivnostenska Banka,

Agrobanka is the fifth larg-

est Czech bank by assets. Its

involvement means the other

banks, which dominate the

The funds were set up to

invest in the vouchers-for-

shares privatisation programme. They own hundreds of

millions of dollars' worth of

Agrobanka's higgest share-

holder is IPB, the third largest

Czech bank. IPB is also a sig-nificant player in the fund

management husiness. Its

funds have not been targets.

shares across Czech industry.

fund management business, could be in for a long fight to retain control of their

attempts to unseat them.

per cent, while profits in the third quarter were understated by 17 per cent. Astra has long warned of

this - and that sales would rise faster than earnings, also as a result of the new arrangement

Direct sales by Astra of Losec, one of the world's biggest selling drugs, rose 66 per cent from SKr6.9bn to SKr11.4bn - although the increase for comparable units was 21 per cent. Combined sales of Losec, including Astra Merck's, rose from SKr12.9hn to SKr15.5bn, up 20 per cent. It said underlying sales by Astra

Merck were up 45 per cent. Among Astra's other main drug lines, sales of the antiasthma treatment Pulmicort rose 20 per cent from SKr2.7bn to SKr3.2hn. Pulmicort is a big seller in Europe and its approval from the US and Japanese authorities is awaited.

ers have been caught entirely

off-guard by the stock market

raids. To protect its own posi-

tion Komercni bought back a

block acquired in its fund by a

stockbroking firm acting with

Pizenska in the market raids. The firm, Motoinvest, report-

Kč200m (\$7.6m) from that

transaction, leading to charges

that the share-buying is moti-

vated by "greenmail". Critics of existing fund man-

agers, however, have said that

managed their shares would be

more expensive and less attrac-

tive to raiders.

Pizenska is under investiga.

tion by the Czech National

Bank for possible breaches of

banking rules in huying the

shares. A bank is not allowed

to own more than 10 per cent

of a fund. Pizenska claimed

last week it owned "between 10

per cent and 50 per cent" of

funds were more actively

edly netted a profit of at le

net profit is 'well ahead'

SBC says

in Zurich

Swiss Bank Corporation, Switzerland's third largest bank, said it expected 1995 net income to be substantially higher than the SFr811m (\$712.65m) it carned in 1994.

The bank, which also announced important boardroom changes yesterday, said that net profit in the third quarter and the first nine months was "well shead" of the results in the comparative periods of last year.

As is customary among Swiss banks at the nine-month stage, no figures were given. The positive statement came after the Swiss stock market had closed, but it was widely expected. Mr Georges Blum, chief executive and designated chairman, said last month that the trend of the first half, when SBC net income rose 23.3 per cent to SFr540m, had continued in the third quarter.

The bank said: "Thanks to the successful repositioning of the group and rigorous cost management, Swiss Bank Corporation is confident that results for the full year will be substantially better than in 1994, even though provision-ing needs will be higher than originally anticipated due to

the economic situation." The third-quarter figures included a first-time contribution from the UK investment bank, S.G. Warburg, acquired in June for £860m (\$1.36bn).

SBC said the integration of Warburg had progressed rapidly in the past three months bringing additional market share and revenue. The group's two divisions - domestic and SBC Warburg - contributed equally to the thirdquarter growth in net operating income, Improving the bank's earning structure.

It said that approximately 40 per cent of net operating income came from commissions compared with about a third at the halfway stage. Growth in brokerage, syndi-

cating and placing fees was particularly strong, and trading made good progress.

The slightly positive trend of net interest income in the first half continued, despite the loss in revenues required to finance acquisitions. Lending spreads developed satisfactorily in the domestic business. Administration expenses

to the integration of Warburg and other acquisitions, while personnel costs were up due to erformance-related scho Provisions were higher because of lower recoveries from exposures already written off and a renewed increase in loan loss reserves.

Changing of the Guard.

were unexpectedly higher due

ankfurt rej

ans' attack overseas I

Avesta Sheffield improves

By Hugh Carnegy

Avesta Sheffield, the Anglo-Swedish specialist steel maker, yesterday reported a leap in pre-tax profits in the first nine months of the year from SKr858m to SKr3.45bn (\$515.25m). But it warned it would curb production in the fourth quarter to meet a fall in orders for cold-rolled flat steel,

its higgest product. Avesta, whose headquarters iary of British Steel at the end of September when the UK

company increased Its shareholding to 51 per cent. The company was founded in 1992 through a merger of the Swedish group Avesta with the stainless steel interests of Brit- at a much faster rate than the ish Steel.

It swung into profit last year and earnings have risen fast this year on strong worldwide demand for steel products. The nine-month surplus was ahead of market expectations and was huilt on a 40 per cent increase in group sales from SKr12.3hn last time to SKr17.2bn.

A trend of sharply rising quarters was interrupted, however, in the third quarter, as pre-tax profits of SKr1hn were below those in the first two quarters - although more than double the surplus of SKr427m in the third quarter last year. Avesta said deliveries of

cold-rolled products had grown

7 per cent increase in end-use demand in Europe, indicating significant amounts of produc-tion had gone into stock build-ing. This had led to a sharp fall in orders for the fourth quarter and downward pressure on

The company said a similar

development had occurred in

the US and Asia, with price rises in the first half in these profits over the previous six markets being followed by small cuts in the third quarter. Avesta was accordingly curb ing production, hut said it believed the fall in demand was temporary. It said demand for other products such as hotrolled plate and long products, in which it also has a strong position, remained strong.

MN reports

Rease in ord

SKF gets the wheels moving in Eastern Europe.

OURING THE SUMMER, SKF acquired 80% of the Polish bearing company FLT Poznan. This acquisition considerably increases SKF's market share in Poland.

During the coming year an investment of 100 million Swedish kronor will be made to ensure that the factory meets SKF Group standards. Since the opening up of east-west relations, SKF has ex-

panded its sales organisation and strengthened its presence in the East European market by setting up new companies in Poland. Bulgaria, Russia, Slovenia, Croatia, Macedonia, Slovakia, Latvia and Albania, at the same time establishing representation in Romania. SKF companies bave operated io Hungary and the Czech Republic for some years. SKF's strategy is to expand in the region. Many of SKF's customers have lovested in Poland during the past few years. Through the acquisition of the new factory. SKF is ensuring local bearing supplies to this important market.

RESULTS

SKF's consolidated income after financial income and expense for the first nine months of 1995 amounted to SEK 2 586 M. (t 141). Group sales increased by t4.4 percent to SEK 28 177 M (24 631). The volume increase was slightly more than 10 percent. Income for the third quarter totalled SEK 720 M (324) and sales amounted to SEK 8690 M (8003).

Despite a general weakening of the market, SKF's sales to the North American automotive industry developed favourably. This was attributable to the increase in market share achieved by SKF in supplying bearings for new car models. During the third quarter, production began at the Group's second U.S. chancel for wheel bearing units. A decision was also taken regarding Investment in a third channel, to satisfy iocreasing demand.

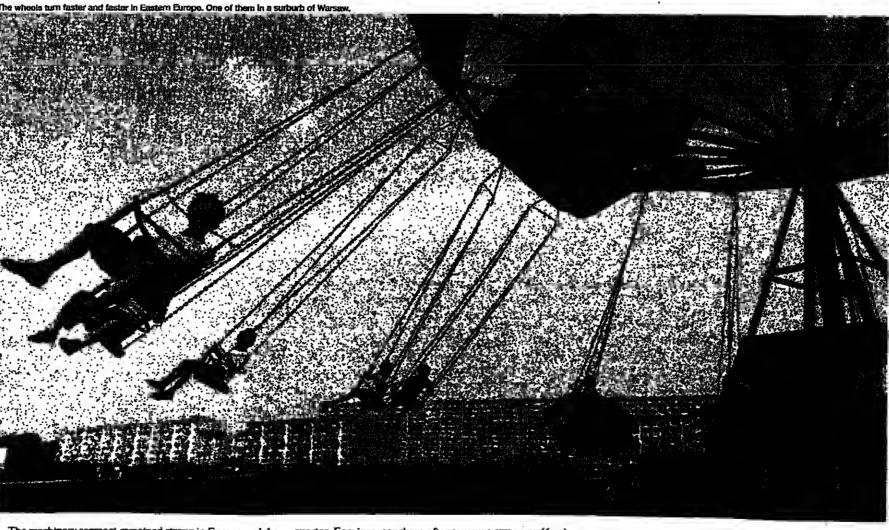
The machinery segment remained strong in Europe and the

quarter. Earnings per sbare after tax were SEK 14.70 (6.50). U.S. with a positive trend noted for both heavy and general mach- Capital expenditures in property, plant and equipment totaled inery. Demand was particularly strong for precision bearings. SEK I 599 M (813). At the end of September, the Group's inventories totalled 23.4 perceot (26.0) of annual sales. The return oine mooths of the year of SEX 3 065 M (1 673) after deprecia- on capital employed was 18.4 percent (10.1) and the return on tion. Net financial items amounted to SEK -479 M (-532) for the shareholders' equity was 21.4 percent (8.0). Group solvency

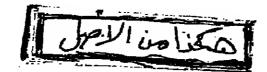
FORECAST Group volumes during 1995 are expected to increase by approximately 10 percent. The price trend is as expected and will be better than in the preceding year.

AVERAGE RATE OF EXCHANGE JAN-SEPT 1995: 1 GBP = 11.57 SEK. JAN-SEPT 1994: 1 Gap = t1,83 SEK.





The SKF Group reported operating income for the first January-September period and SEK - 124 M (-200) for the third was 32.0 percent (28.2).



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FINANCIAL TIMES WEDNESDAY NOVEMBER 8 1995 INTERNATIONAL COMPANIES AND FINANCE

French aluminium and packaging group has moved ahead of rivals but there are pitfalls before the privatisation finish line

Pechiney moves stealthily in race against sell-off clock



gathered in Paris on Monday to approve plans for privatisation and prepare the ground for a

launch of the operation as early as the end of the month. But while the meeting at the French aluminium and packaging group nodded through technical details, a smooth sale is far from a formality.

Mr Jean-Pierre Rodier, who took over as chairman last summer, has mada substantial progress in preparing the group for sale. He has implemented a clear strategy of concentrating on the two core businesses, shedding assets worth a net FFr10bn (\$2bn), and returned his charge to

In so doing, the Pechiney chief has pushed the company ahead of Renault and other rivals to pole position in the conservative government's privatisation programme. But between the launch of the issue and the finish line, there are several challenges and complications.

The most immediate concern the structure of the privatisation issue. The first task, approved on Monday, is to

Pechinsy implement an exchange offer for the company's existing for the company's existing investment certificates which represent about 25 per cent of the capital. This step may be followed by a merger between the parent company and Pechiney International, the quoted packaging arm which is 67 per cent owned by

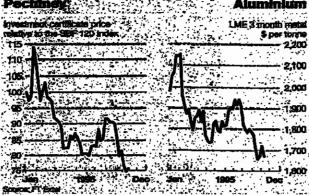
the group.
"It would be nexter to offer investors a single entity, which points to a buy-out of minority holders in Pechiney International. But there are also attractions for investors in a straight packaging or aluminium play," ona merchant

banker says.
"On top of that you have the question of a capital increase." he says, referring to Pechiney's desire to use privatisation to ease the pressure of its FFrisbn debt burden.

Beyond such technical ques-tions lie broader challenges. Investors in France and abroad will need some convincing following the lacklustre performance of previous French pri-vatisation issues and the Paris stock market.

With the exception of Seita, the tobacco monopoly, the state assets dispatched to the private sector over the past two years have struggled on the stock market.

The most recent, Usinor



seen its shares fall to about FFr72, compared with a price of FFr86 at which they were offered to investors in the

The CAC-40 index of leading shares has rallied over the past week in anticipation of interest rate cuts, but is still about 3 per cent below its level at the

beginning of year. The aluminium market, crucial to Pechiney's fortunes, has lost its shine. A slowing in demand over recent months has pushed prices below \$1,700 a tonne. This compares with levels of about \$2,200 at the beginning of the year after a sustained rally and a 1994 agreement by the principal international aluminium producers to limit output. The downturn in the aluminium cycle has increased pres-

sure on the French government and Pechiney to prepare for privatisation. There has a race against the clock," one metals analyst at a Paris merchant bank says. However, in some respects, the company may have been in too much of

Last month, the Commission des Opérations de Bourse (Cob), the French stock market watchdog, claimed Pechiney had breached national accounting rules in the presentation of its half-year results. By not including FFr700m of capital losses on the sale of two subsidiaries, the company reported a net profit of FFr658m for the period, rather than a small loss, the Cob said. Pechiney responded that its accounts were in line with US accounting standards and that it was offsetting the capital losses against anticipated gains from the sale of Howmet. the US turbine manufacturer. This sale, completed last month, brought a profit of

about FFr1bn. The Cob warning riled some in the investment community, blip in the company's prepara-tions for privatisation. "The general feeling is that Mr Rodier has performed a smooth operation in getting Pechiney in shape," one packaging analyst says, referring to asset sales and restructuring

"Pechiney is in a positive cycle . . . it is a company where the chairman has set ont a dynamic strategy," claimed Mr Yves Galland, French industry minister before the reshuffle. The strategy is aimed at building on its core businesses aluminium, where it Europe's biggest producer, and its packaging operations. Investments are to be tightly

drinking cans outside of the US, flexible packaging, tubes and cosmetics containers. In pursuit of its goals, the company has set up a joint venture can manufacturing operation in Mexico and is opening a After previous policy detours, such as a failed initia-

tive to tie up with CNR, the French electricity producer, most analysts have welcomed Mr Rodier's objectives. But whether his plans translate into a smooth privatisation will depend partly on strategic investment considerations and, more importantly, on price.

n the first count, industrial and financial partcement their ties with Pechiney by taking an equity stake. For example, Eléctricité de France, the state utility, appears ready to take a stake in its biggest customer.

Investment institutions and the public will be more concerned with price. The government has yet to give any indi-But the fall in Pechiney's investment certificates this year, from almost FFr400 to below FFr270, will make it difwill aim to strengthen Pechiney's presence in fast-growing achieve the estimate of



Jean-Pierre Rodier: devised strategy to prepare group for sale

FFr7bn-FFr8bn that Mr Rodier placed on its 56 per cent stake earlier this year.

The government is eager to maximise revenues from the operation and, as Mr Galland savs. "we will not privatise at whatever price". But it is momentum to France's privati-

With Renault waiting in the wings, and with more difficult sales, such as Air France and Crédit Lyonnais still to come, the conservative administration is under pressure to ensure that Pechiney moves smoothly into private sector

John Ridding

Frankfurt regime 'flaws' attacked by overseas banks

tre, in spite of the progress made in recent years to improvs its efficiency, Landeszentralbank in Hessen (the

state of Hesse) said yesterday.

These included general problems such as high income tax, above-average staff costs and inflexible employment legislation. But banks also criticised the Bundesbank's minimum reserve requirements - in spite three years - for inhibiting money market operations.

In a special report, the bank said foreign banks criticised the fact that "the authorities" understanding of the needs of a financial centre is sometimes not as sympathetic as in other major financial markets".

One example concerned the introduction of two European Union directives - on large exposures and capital adequacy. The first comes into effect next January, while the second is likely to be delayed until mid-1996. In the interim, banks will have to lower the large exposures in their trad-ing business or raise their equity considerably.

Although the burden would be eased when the second directive comes into effect, many business transactions could in the meantime he

Landeszentralbank in Hessen of all banks in the city. But balance sheet figures understated their role, because offbalance sheet operations (such tion of their activities

The report said off-balance times greater. Foreign banks share in off-balance sheet busi stepped up off-balance sheet business by 50 per cent in the

banks had a 5.5 per cent share of total Frankfurt-based business. International lending played a relatively larger role than at domestic banks "Apparently, they [foreign banks] still find it difficult to gain access to the domestic lending market."

financial centre. regional central bank for the

said the 135 foreign banks accounted for more than 10 per cent of total business volume swaps, currency forwards and forward rate agreements) represented an above average por

past 18 months. On the lending side, foreign

By Andrew Fisher in Frankfurt Foreign banks in Frankfurt still see notable weaknesses in Germany's main financial cen-

transferred to other European countries where both directives would be introduced together. "Foreign banks are of the opinion that a measure originally intended to promote harmonisation in Europe may ... cause a competitive disadvantage for the local

sheet activities of foreign banks were eight times greater than business volume; among domestic banks, these were 2% had "a remarkable 27 per cent" ness. German banks had also

MAN reports 14% increase in orders

MAN, the German truck, printing and plant construction company, continued to build on its previously strong results by posting a 14 per cent increase in orders and 9 per cent rise in sales during the first quarter of its 1995-96

figures for July to September, however, underline concerns about demand in Germany, where orders fell by 6 per cent compared with the same period in 1994. Ontside Germany, however, orders grew 26 per

The company, which is best known for its MAN range of trucks and Roland printing machines, also gave further details of its results for 1994-95 headline figures were released in August - during which MAN rebounded

strongly with a rise in net profits from DM160m to DM272m (\$192m). Along with the profits increase, the dividend was also raised, from DM7 to DM9.5 a The driving force behind the

performance was the company's core business of MAN trucks, which achieved a net profit of DM157m in 1994-95, after a DM98m loss in 1993-94.
MAN Roland, the printing machine manufacturer, lost DM146m, DM52m less than in

the previous year.
Mr Klaus Götte, chairman, said yesterday that at MAN



lasted for several years", was "concluded". He said that with its new range of printing show an "accelerated recov-

ery" this year.

MAN Gutehoffnungshütte,
the Ruhr machine and plant
construction company, made a
marginal profit, whils MAN
B&W Diesel, the engine manufacturer, gained DM98m.

Like many other German companies, MAN was hit by the D-Mark's strength which drove down profits by DM50m. Mr Götte, who will retire as chairman by the end of next year, outlined a conservative strategy emphasising further

consolidation. Return on equity went up from 4.4 per cent to 7.3 per cent. Mr Götte said: "After the be content with this incres we do not intend to stop



(Yet Nothing Slips Through Our Fingers)

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Bank of America

INTERNATIONAL COMPANIES AND FINANCE

Sony plan on disc standards

By Michiyo Nakamoto in Tokyo

Sony, the Japanese consumer electronics company, has suffered another sethack in its attempt to make its mark on an industry standard for next generation audio-visual discs. Sony, which together with

Philips of the Netherlands brought the world the CD, has made 11 new technical proposals concerning the recently agreed standard for digital rideo discs (DVDs), only to see them rejected by members of an industry alliance.

In September, Sony and Philips agreed to drop their standard for DVDs and accept a competing one proposed by an industry alliance led by Toshiba, the Japanese electronics maker.

The Sony camp then accepted the Toshiba group's standard on condition that one significant change be made to incorporate a Sony format for signal modulation.

Agreement by the Toshiba side to that change led to a basic agreement in the industry to adopt a uniform standard for DVDs.

However, Sony has since made 11 further technical pro-posals to the Toshiba camp. It has also insisted on giving the new discs a name based on the CD, to indicate that they are an extension of the CD.

Toshiba said yesterday it bad evaluated Sony's 11 technical proposals carefully with other members of the industry alliance and decided that none could be adopted

"Our basic policy is to adopt technology if it is good enough," a Toshiba representative said. But in the case of Sony's new proposals "we have decided not to adopt any of them"

Meanwhile, Toshiba said the PC industry had asked specifically to give the new discs a name that will clearly differentiate them from CDs.

Sony said yesterday it was not aware of the Toshiba camp's decision on its proposals or the naming of the new

Sony's highly publicised decision to accept the Toshiba group's standard in principle would seem to give it little alternative but to go along with the latest rejection of its new technical proposals.

 Toshiba has developed a prototype DVD read-only memory drive, the next-generation optical disk drive for computers, and will launch the new reports from Tokyo.

The new drive is based on

the standard proposed by Toshiba and six other electronics makers for DVDs.

Setback for | Electricity sell-off prices give state a warm glow

The government in Victoria is getting more than expected from the privatisation of its distribution companies

To sell one asset for more than an informed market expects might be described as luck. To do so a second time could be described as good fortune. But when it happens a third time, it certainly raises some questions.

The prices which the state

government in Victoria has been obtaining for its electricity distribution companies have surprised most pundits. The first, United Energy, was bought by a consortium made

up of Australian institutions and Kansas City-based Utili-corp for A\$1.55bn (US\$1.2bn), or almost 13 times 1994-95 preinterest earnings. The second, Solaris, was sold to a 50-50 partnership between

Australian Gas Light (AGL) and a subsidiary of New Jer-sey-based General Public Utilities for A\$950m. This represented a historic earnings multiple of 18 times (again pre-

The third transaction, an outright buy by Texas Utilities, was announced on Sunday. The price was A\$2.08hp and the multiple 14.7 times. Even in the light of the two earlier transactions, most industrywatchers had put the upper

limit for Eastern at between A\$1.8bn and A\$2bn. All this is good news for the state government. The more money received, the quicker it can pay down the A\$30bn debt

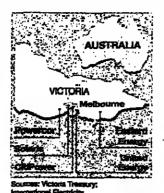
burden left by the previous

Labor administration. Yesterday, the Treasury Cor-poration of Victoria said that following the Eastern sale, it was anticipating a net debt repayment of A\$4.25bn in

In addition, the smooth sales procedure and the top-dollar receipts have helped defuse soma of the political dabata surrounding the alectricity industry privatisation. The Victorian government's aim is to move the entire sector into private hands, with the sale of the distribution companies as a However, this is an unprece-

dented exercisa in Australia, end interest groups - from consumers to unions - which support public-sector ownership have been vocal in their "Jeff Kennett [Victoria's

state premier) must be feeling pretty happy," commented one Sydney-based analyst, after the



So why have the prices been higher than anticipated? Some pundits concede they may have underestimated scope for cost savings. Under the restructured Victorian electricity scheme, initial connection and usage charges have been fixed by the government to give a "fair" private-sector return on capital. The rate at which distribution prices can change, up until a review by the industry regulator in 2000, has also been pre-determined. However, if productivity

base leval, the distribution

V	ictoria: th	e five ek	ctricity di		
A\$m Pro forms 1983/94	Powercor	Solaris	CitiPower	United Energy	Eastern Energy
Total assets	986	550	800	1,108	250
Sales Industrial	227	107	53	167	114
Commercial	166	108	316	197	138
Domestic	289	122	112	303	267
Other	17	10	19	17	14
Total	699	347	500	684	533
Customers	526,080	233,240	230,822	514,714	457,937
Employees	1,500	597	1,023	1,111	1,388
Line length (km)	108.000	4,000	4,000	16,000	55,000

The AMP Society, one of the institutional investors in tha successful United Energy consortium, points out that "the main value drivers of the business are productivity improvements with respect to labour and capital expenditure, and management of the network charge reset as at 2000."

In United's case, for example, the buyers anticipate that jobs could be cut by more than a third hy 2000, despite a build-up in marketing staff as competition for customers

Most customers within a franchise area are tied to their more than 15 per cent a

year over the next decade. A second reason for the generous sale prices is "strategic positioning". While Victoria is leading the way in terms of electricity privatisation. Australia's entire energy sector is in a state of flux and other states are reorganising their Australian Gas Light's 50 per

cent equity interest in Solaris, acquired for A\$145m, is a case in point. AGL is a hig distributor of natural gas, with a customer base in New South Wales and the Australian Capital Territory, and the country's largest operator of natural gas transmission pipelines.

But the listed company has

made clear it would welcome the opportunity to expand into other states. A stake in tha Victorian electricity market could position it to take an interest in the state's gas market whenever it is deregulated. And last week it raised the possibility of Solaris becoming involved in gas-fired power generation – in effect producing its own electricity.

Or take Wesfarmers, the Perth-based rural products group which was one of the potential buyers of the Eastern

business, before dropping out in the final bidding round. "It'll give them practice for the Western Australiau assets, when they come along," says

one analyst wryly.

A third factor behind the higher-than-expected prices is some fortuitous timing. The Victorian sales have dovetailed with deregulation of the US energy industry - dating from the 1992 Energy Policy Act -and the scramble by some US utilities to achieve scale by expanding overseas. "I hadn't quite expected the depth of [the US utilities'] pockets,' concedes one analyst.

The question, though, is whether the momentum will be maintained. Most observers are increasingly confident about tha short-term prospects: the two remaining distribution companies are set to be sold before Christmas, and competition for the larger Powercor, at least, is thought to be fairly

After that, the game will change slightly as attention switches to the generators. with Yallourn likely to be the first disposal.

Nikki Tait

Nippon Steel improves despite sluggish sales

Jul 1994

export prices.

95

profits ware nearly Y10bn

Nippon Steel said that it had

been abla to save about Y8bn

through cost-cutting measures

in the first half and that tight

international markets had

enabled it to raise some of its

more than wiped out by the

rise of the yen, an average 10

per cent increase in raw

materials costs and a slump in

six months of the year. Together these factors reduced

In the domestic market,

while vehicle sales bad.

recurring profits by Y18bn.

Nippon Steel, Japan's largest steel maker, yesterday reported an improvement in its first-half performance in spite of stagnant sales in a sluggish domestic market, but warned that prospects in the second half remained uncertain.

The improvement in the parent company results was mainly dne to cost-cutting measures. It was also helped by a recovery in export prices. Nippon Steel posted first-half recurring profits - before tax and extraordinary items - of Y29.4bn (\$285m), compared with a loss of Y28bn in the same period last year, even

It is, however, forecasting a decline in sales in the full year for the fourth year running. Sales in the year to March are expected to drop to Y2.070bn from Y2,090bn previously. Although the first-half results were an improvement

Y972.6bn, against Y966.5bn.

on the same period last year, they did not match Sales in the first half of this

year were 13 per cent below the level in the second half of last year, while recurring

improved, the increase in steel demand from that sector was not as strong as hoped. Nikkei 225 Index Meanwhile, demand from the housing industry and from the reconstruction of Kobe, the city in western Japan which was hit by a large earthquake earlier this year, had not met expectations, Nippon Steel

> In overseas markets, firm demand in leading regions had supported price rises, although these were not sufficient to counter the affects of the high Nippon Steel does not expect

a significant recovery in the domestic economy in the second half. It is therefore forecasting a "drastic reduction in production", as it adjusts

inventories to meet market The company warned that the sluggish domestic However, these benefits were environment, coupled with high inventory levels for some products, could lead to price falls which would adversely

affect second-half results. slowdown in world markets is expected to result in pressure on prices as global competition intensifies, Nippon Steel said.

By Philip Gawith

Gencor, the South Africa-based natural resources group, yesterday announced a partial retreat from its involvement in the local gold mining industry with the sale of four of its mines to Randgold. The deal is worth R150m (\$41.2m).

The sale reflects the decline of the local gold mining industry, which for more than a century has been the flywheel of the country's economy. None of South Africa's mining houses has ever disposed of gold mines in this fashion.

stake in Grootviei, its 10 per cent stake in Stilfontein, a 9 per cent stake in Buffelsfontein, and 25 per cent of Unisel (Gengold will keep a 15 per cent stake). Gengold will also sell all of

The deal involves Randgold

buying Gencor's 15 per cent

existing distribution company, but this will change progres-

sively over the next five years.

By 2000, all customers, includ-

ing residential users, will be

Some reduction in energy

purchasing costs, as competi-

tion hetween generators increases and a National Grid

gets under way, is also possi-ble. Assuming the regulator

allows about 40 per cent of pro-

ductivity gains to be retained by United when network

charges are reset in 2000, the

AMP thinks it could be looking

at an internal rate of return of

"contestable".

its management contracts, through which the mining house provides services to the individual mines, in return for a steady flow of fees.

Mr Tom Dale, managing

director of Gengold, the group's gold arm, said the sales were part of a trend towards

rights in the industry. For Gencor, they represented "the sale of non-core assets...in order to facilitate business focus".

He also announced that the investment focus of the South African gold portfolio would in future be on the mines in the Evander and southern Free state areas. The sale is part of the

restructuring of Gencor's gold assets, whose performance sunk to a historic low in the September quarter. The group announced in July it was separating local and offshore gold assets, and would restructure

The initiative for the sales came from Randgold, which wanted to acquire Grootylei and Unisel to improve the prospects of two of its existing mines, ERPM and Harmony. The other two mines, both

close to the end of their lives. came as part of a package deal. Mr Dale said that if the transaction had been effective during Gengold's 1995 financial year, the group's average cost of producing a kilogram of gold would have been R31.957. instead of R35,013. Managed gold output would have been 41.1 tonnes, instead of 58.4

Sharp declines hit leading Thai brokers

Gencor sells four mines to Randgold

By Ted Bardacke in Bangkok

General Finance & Securities and Nava Finance & Securities, two of Thailand's largest bro-kerage houses, reported steep declines in net profit for the third quarter of 1995.

Although expected, the fall reflects an industry wide trend of poor third-quarter results. Finance and securities comparities side by low turnover on the Thai stock market, and on the finance side by increased funding costs.

General reported a 13 per

profits were down 16 per cent to Bt504m.

Nava saw its third-quarter profits fall 28 per cent to Bt239m from a year ago while nine-month profits were down 21 per cent to Bt662m.

Phatra Thanakit, the top brokerage firm, saw third-quarter the same period a year ago, to Bt519m. However, nine-month profits were down 25 per cent

Neither General nor Nava

to poor sentiment on the Thai stock market where turnover in the third quarter was down 38 per cent, compared with last

Up to October turnover at General declined 7.3 per cent, compared with last year, even though the company increased 3.1 per cent to 4 per cent in the same period.

Nava, with a client base dominated by domestic retail

cent drop to Bt187m (\$7.41m), released complete financial high interest bank deposits, compared with the same period statements, but analysis said was particularly hard hit the previous year. Nine month the decline was due primarily Turnover fell 44 per cent, while market share fell from 5.6 per cent to 4.3 per cent.

Bearish conditions in the stock market have limited opportunities for trading gains. Some analysts had expected such gains to be booked in the fourth quarter to belp shore up full-year earnings, but such ings Securities axpects earnings per share growth for the sector to decline 30.8 per cent for the year, after an earlier investors who have switched to estimate of a 10.3 per cent fall.

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November 1995

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Application has been made to the London Stock Exchange to the following securities to be admitted to the Official List. SHARE DETAILS: Up to a maximum of 80,707,290 new B shares of nominal value SEK 2.50 (total nominal value SEK

201,768,225). ISSUER: Telefonaktiebolaget L M Ericsson (Publ) INCORPORATED IN: Kingdom of Sweden LISTING AGENTS/SPONSORS: Enskilda Securities and

Handelsbanken Markets Particulars relating to the issue may be obtained during usual business hours for fourteen days from the date of this formal

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Copies of the particulars relating to the issue may also be obtained from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, LONDON EC2, for the two business days following the date of this formal notice.

8th November, 1995 ERICSSON



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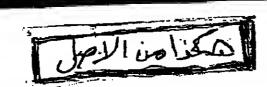
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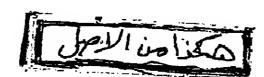
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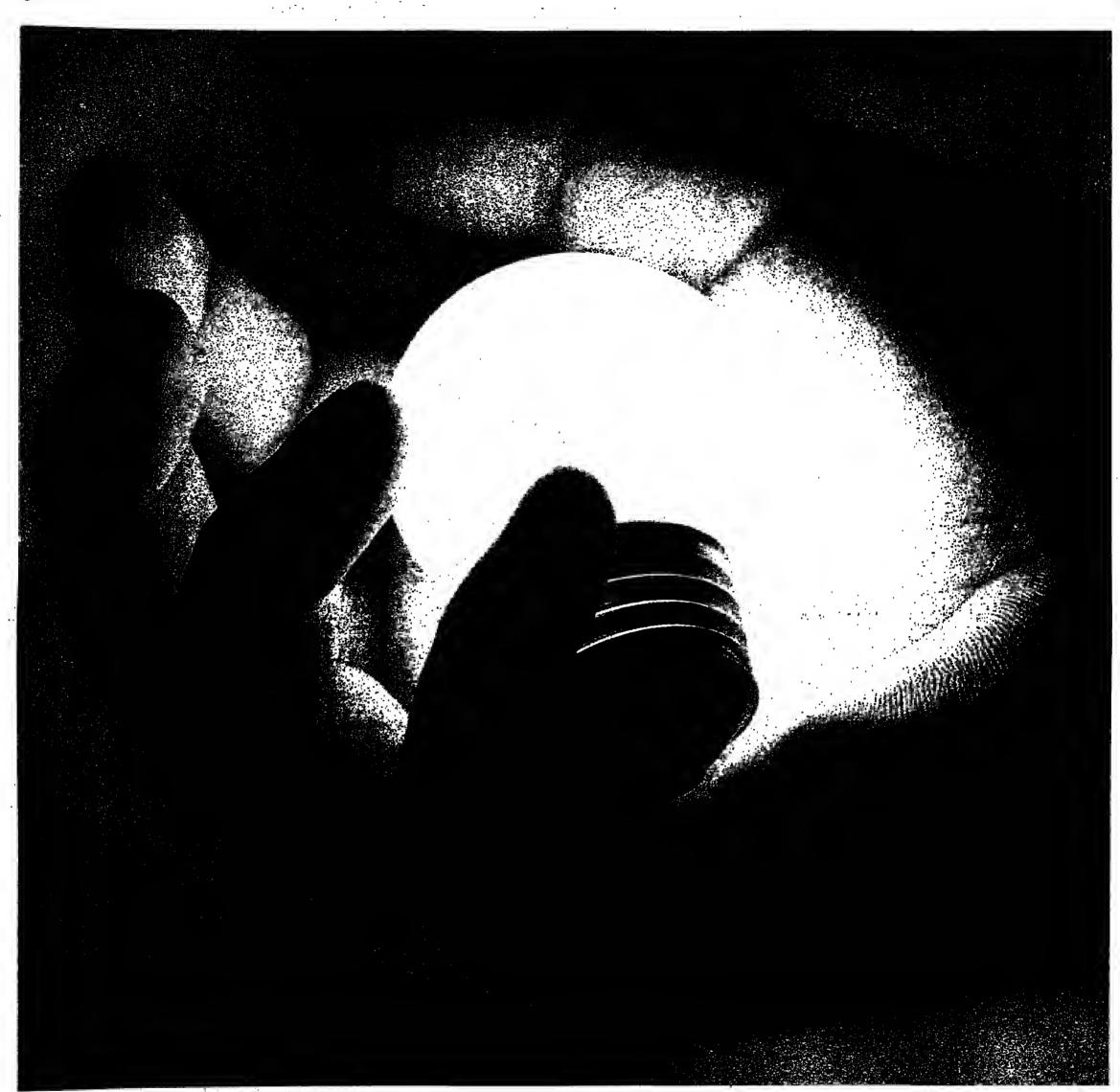
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INTERNATIONAL COMPANIES AND FINANCE

Turner Broadcasting doubles to \$40m in third term

By Maggie Urry In New York

Turner Broadcasting System. Mr Ted Turner's cable television group which is currently finalising a \$7.5bn merger with Time Warner, reported a doubling of uet income before oneoff charges in the third quarter, from \$20m to \$40m. Earnings per share were up

Cash flow rose by a third to

For the first nine months, net income was up from \$20m to \$83m, before the oneoff charge of \$25m taken in the third quarter of 1994 relating to the early repayment of debt. Earnings per share were up from 7 cents to 29 cents and cash flow was ahead from from 7 cents to 14 cents. \$192m to \$280m.

In the third quarter revenues rose 36 per cent to \$1bu, buoyed by a \$199m increase in syndication revenues mainly because of the success of the Seinfeld comedy pro-

However, a rise in operating profits from the entertainment uetworks, from \$51.1m to \$70m, was largely offset by a swing from a profit of \$4.75m to a

deficit of \$113m from produc- scription and advertising revetion and distribution. The group suffered losses on costs was held below the gain domestic production and lower than expected profits from

The Atlanta Braves, the films released internationally. group's baseball team which won the World Series in Octo-In the news division, which ber, cut its third-quarter operincludes the Cable News Network channel revenues rose ating loss by \$13m. The quarter compares with the period of the national baseball strike in from \$164m to \$177m and operating profits were ahead from \$52.6m to \$58.8m. Both sub-

The Braves played 20 more games in the 1995 third quarter over the comparable period, mainly contributing to a \$30m increase in revenues from \$37.8m to \$67.8m from "other"

activities However, higher central costs meant that the loss from other activities fell by a

lesser \$5.7m, from \$21.4m to

News Corp-TCI sports TV venture reaches first base

"dream team" in international sports televi-sion, being put together by News Corporation and Tele-Communications Inc, has gained extra substance with a deal giving the duo a large slice of the TV rights to major league baseball games for the next five years.

ESPN, currently the leading sports TV company in the US and international markets, and the NBC network will also air

"We have become a 52-week a year sports network," said a relieved Mr David Hill, president of News Corp's Fox Sports, who was last week named as head of the joint venture with TCL

Considering that Fox was in effect a no-sports network until two years ago, when it cheek-ily swiped NFL American football broadcasting rights from

games under the terms of a complex \$1.7bn package perhaps excusable.

National (ice) Hockey League building a sports business to

coverage has been taken on in the interim, and now compre-hensive baseball coverage will start at the end of the summer holidays next year, according to Mr Hill. The hiatus would give us a chance to get our shorts straight".

However, the prospect of Mr Hill being allowed the luxury of time to edjust his clothing appear to be slender. He is

rival or outstrip ESPN, especially in the growing international market.

Some analysts say ESPN.

which was one of the plums that encouraged Walt Disney for the Capital Cities/ABC group (which owns 80 per cent of ESPN), is too well-established. They say Disney's plans to pipe tempting blends of ports and its traditional children's and family programming into every evallable home and foreign market will leave little room for others, especially relative newcomers. Sports television is the vital ingredient, which, when blended with movies, can be counted on to draw adult males - who still control the bulk of discretionary bousehold spending in the US - into the family viewing group and the sphere of influence exercised by TV edvertisements.

Traditional sports, and variants such as gladiatorial contests and endurance trials, also provide a common visual language, easing connections with emergent media markets in newly-industrialised countries.

The scale of the potential markets alone means there will be room for more than a handful of groups. As for the US, some observers calculate Mr Rupert Murdoch's group and TCI can already call on more sources of sports programming than ESPN. The trick is for the partners to organise the material and their distribution resources to make the most of it.

iberty Media, a TCI sub-sidiary, is to contribute its 15 regional Prime Sports networks (to be relaunched under the Fox Sports logo) and a handful of national programming services to the US segment of the deal. News Corp brings its fx cable network and \$300m in cash.

The international link, which excludes the partners' UK, Japanese and New Zealand connections (at least until I KNOW IT'S UNCOMPORTABLE JULIA BUT WE'VE GOT TO KEEP THE SPORTS FANS' ATTENTION SOMEHOW



existing deals expire), will be built mainly round Mr Murdoch's Star sports channel, his main conduit into Asia. Other elements include the TCI group's Spanish language ser-vice, Prime Deportiva, which is currently distributed in Spanish language markets in the US and Latin America.

Not least because of the fudgy nature of the plans so far revealed, few analysts are ready yet to offer odds ou the venture's chances. They are also still puzzling over the nature of the relationship between News Corp's Mr Rupert Murdoch, and TCI's Mr John Malone, who figure prominently in the shrinking ranks of "characters" in the media and entertainment business.

By virtue of a shared tendency publicly to rail at the regulators at every opportunity, they have both been labelled as "swashbucklers". But it is only within the past week or two that their names have started to be mentioned in the same breath.

However, they also appear to have a common compelling interest in divining a way to prosper - or even survive - in a rapidly shifting market. Mr Malone may be head of the

world's largest cable TV business, but Time Warner has a cable business almost as big, and it now has control of Turner Broadcasting Systems (including the CNN news busi-ness) as well as its publishing, music, movie-making and

r Murdoch's broader media base and his as yet - unrivalled satellite-powered reach are well-established, and News Corp seems less vulnerable than TCL Yet its absence from the current round of megadeals has not gone unremarked. Mr Murdoch has recently been heard regretting that he did not get a chance to bid for TBS and was relegated to the role of a spectator as Time Warner swallowed it up along with CNN.

Now there are few plums left for picking in the US market, which makes it all the more surprising that since he was instrumental in clinching the Time Warner/TBS deal, Mr Malone's first alliance after the takeover should be with the man who probably resents it

Christopher Parkes

AMERICAS NEWS DIGEST

Cirrus shares fall 27% on warning

Shares in Cirrus Logic, a US supplier of graphics and audio chips for use in multimedia personal computers, dropped by more than 27 per cent yesterday when the chipmaker issued a profit warning. Cirrus said that "a major customer", which it declined to identify, had reduced orders for certain graphics and audio chips. The customer, a PC manufacturer, has told Cirrus that it has excess chip inventories.

Cirrus said its operating profits in the current quarter would

be down by between 10 per cent and 15 per cent, and it expected the effects to continue in the first quarter of 1996. expected the enerts to continue in the first quarter of 1990. Last month, Cirrus announced record results for its second fiscal quarter ended September 30, with revenues up 57 per cent at \$317.8m and net income up 166 per cent at \$33m., or 47 cents a share.

The company recently announced plans to invest \$2bu over the next five years to expand manufacturing facilities through joint ventures. These plans would not be affected by the order reduction, Cirrus said.

reduction, Cirrus said.

The group's shares were trading at \$29% in mid-session yesterday, down from Monday's close of \$40%. Other chipmakers were also affected by the Cirrus announcement, which created renewed jitters among high-technology investors. Intel was down 7 per cent et \$55%, LSI Logic declined 12 per cent to \$38% and VLSI Research was down 11 per cent at \$20%.

DLJ meets forecasts with \$42m

Donaldson, Lufkin & Jenrette, the investment bank floated last month by its parent The Equitable insurance group, reported e 65 per cent rise in third-quarter net income to \$42m. or 72 cents e share on e pro-forma basis, allowing for the effect of the public offer. In the same period last year DLJ earned 25.5m, or 40 cents a share.

The results were in line with estimates made in the prospectus for the flotation. Mr John Chalsty, president and chief executive, said the results "put DLJ on track to achieve the second-best year in its 36-year history

Revenues in the quarter rose from \$473m to \$688m. Commission revenues increased by 36 per cent to \$118m. and fees were up 2 per cent to \$90.5m. Underwriting revenues trebled to \$146m, as DLJ rose to fourth in the league tables of equity underwritings. During the quarter DLJ led the \$933m secondary offer for WorkiCom.

Principal transaction revenues were 45 per cent higher et

\$103m, in spite of a \$28.8m provision for a potential loss from a bridge loan to a client company, which had been indicated in the prospectus. For the first nine months, net income was up from \$85.5m to \$122m, with pro-forms earnings per share shead from \$1.35 to \$2.07. Maggie Urry, New York

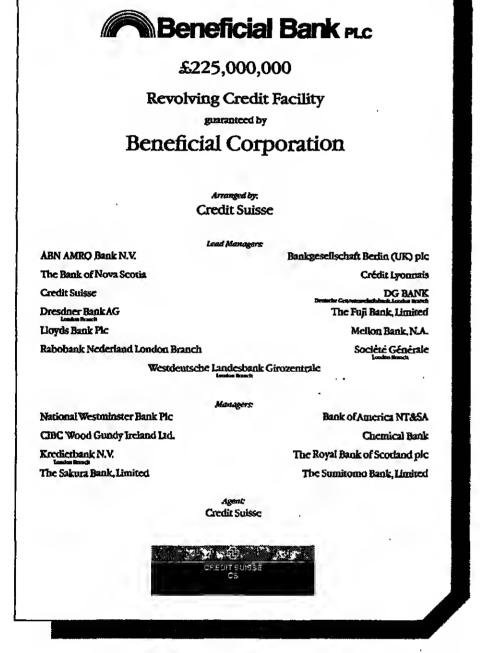
Embotelladora Andina advances

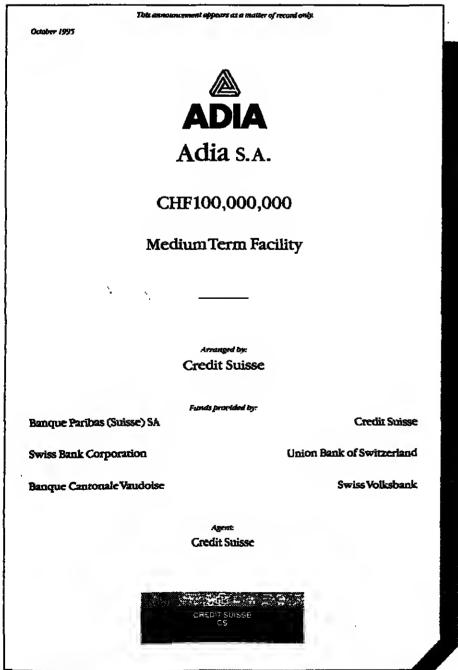
Embotelladora Andina, which holds the Coca-Cola franchise in Chile and has expanded in the past year to Argentina and Brazil, announced a 41.1 per cent increase in net consolidated income for the first nine months to \$46.8m. compared with \$33.1m for the same period last year. Operating income from Chilean operations increased by 26.2 per cent, from \$47.1m to \$59.5m. Consolidated operating income rose by 29.8 per cent, from \$15m to \$19.4m.

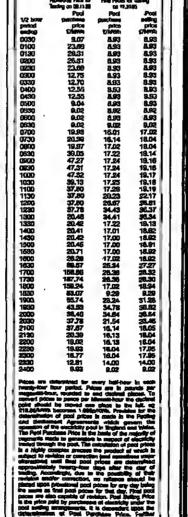
Consolidated sales totalled \$430.6m for the nine months, against \$260.8m for the same period last time. The company said the main factors were a 14.7 per cent rise in total beverage volume for Chilean operations, an improvement in sales volume of plastic bottles to third parties, and the recognition of nine months of operations of its Argentine activities, which represented \$163.4m in sales.

Andina has faced stronger competition in the Chilean market since last year, with the renewed presence of a strong Pepsi-Cola franchisee, CCU of Chile in alliance with Baesa, the Argentine Pepsi bottler. But Andina is an "anchor bottler" for Coca-Cola, which encouraged it to take over the franchise in Rio de Janeiro, almost doubling its capacity. In July it took over two Argentine Coca-Cola bottlers, whose results are reported for the first time in the group's third-quarter figures.

Imogen Mark, Santiago







BANQUE NATIONALE DE PARIS name for the Issuance of Dukt instruments USD 39,888,000 stant Majurity Treasury ting Rais Notes due 2005 Series 42 Trançõe 1 Notice to hereby given that the rate of interest for the period from November 7th, 1995 to May 7th, 1996 has been fixed at 5.73 per cent, per annum. The coupon amount due for this period is USO 28,690 per denomination of USO 1,000,000 and amounted for the interest remained date.

RHÔNE-POULENC INFORMS ITS SHAREHOLDERS

Results for the first 9 months of 1995

Results at the end of September 1995 showed improvement over the same period of 1994. This was due to increased activity within each of Rhône-Poulenc's business sectors: Health, Agro, Chemicals and Fibers & Polymers. The asset divestment program undertaken in 1994 with the objective of increasing Rhône-Poulenc's business focus on its core business segments, significantly reduced the company's scope of consolidation.

Consequently, only computations based on a comparable structural basis can be considered as truly representative of Rhône-Poulenc's growth.

CONTINUED IMPROVEMENT IN OPERATIONS

Consolidated sales for the first 9 months increased by 5.7% on a comparable basis of consolidation, as a result of higher volumes and selling prices.

Seles rose 1.6% in the third quarter as the decline in the dollar substantially undermined business growth.

Operating income for the first 9 mouths rose by 20.6% on a comparable structural basis, and remained stable during the third quarter.

Before restructuring provisions, it increased 11.3% for the first 9 months and 4.2% for the third quarter, buoyed by heightened activity experienced in all four sectors, and in spite of deteriorating market conditions in Brazil during the third quarter.



 Sharply improved operations

Sales: FF 63.1 billion (+ 5.7% *)

Operating income: FF 5.8 billion $(\pm 20.6\% e^{\circ})$

on a comparable basis of consolidation



FF 2 billion (+71.3%)

Net income:

• Earnings per share: FF 6.19 $(\pm 59\%)$

SHARP INCREASE IN NET INCOME FOR THE FIRST 9 MONTHS

Net income for the first 9 months rose sharply by 71.3%, despite a 17% downturn in the third quarter, bolstered by a significant improvement in operating income and a decline in net interest expense.

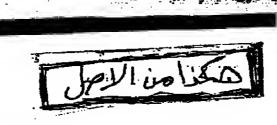
Rhône-Ponlenc still expects significant improvement in full-year 1995 net income.

Sales	PC -Trans	N AFIRM
	PF millions	7073/74
Health	25,839	+ 3.5
Agro	8,112	+ 4.2
Chemicals	21.501	+ 5.6
Fibers and Polymers	9,950	+ 14.8
Others**	(2:281)	
Total .	63,121	+ 5.7
Operating income	PF millions	% 95/94*
Health	3,385	+12.3
Agro	1,170	+ 20.0
Chemicals	870	+125
Fibers and polymers	883	+ 33.1
Others	(529)	-
Total	5,779	+ 20.6

Upcoming events January 31, 1996 General Meeting: April 10, 1996

For further suformation please contact u brance Mr Philippe Re Tel (33.1) 47.68.00.97 - 10 U.S.A. Me Arrive K. S. Tel (1) 908 REL 1487

A RHÔNE-POULENC

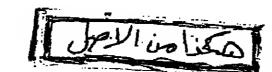


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COMPANY NEWS: UK

Strong growth in financial services and continental European side

M&S fails to lift retail gloom

Marks and Spencer, Britain's biggest clothing and food retailer, failed to raise spirits in the retail sector yesterday when it reported a 9 per cent rise in interim group profits but a fall in UK clothing sales in the past three months

Pre-tax profits for the 26 weeks to September 30 increased from £354.2m to £385.4m - in the middle of expectations - on group turn-over up 6 per cent to £3.2bn.

Much of the gain came from strong performances in financlal services, continental Europe, and a jump in interest income from £10.3m to £25m. Profits in the rest of the world fell after poor results from Brooks Bros, the US clothing

The shares gained 5p to 411p. They slipped 23p over last week to 404p after disappoint ing results from J. Sainsbury the UK's blggest food retailer. and Kwik Save, the grocery

with sp

Section of the second

the competitiveness of highstreet trading came yesterday from WEW, the discount chain which warned like-for-like sales were currently 19 per cent down on last year.

Sir Richard Greenbury, M&S chairman, said consumers continued to be "very, very cautious, and very, very sensi-

"I am just delighted we are protecting our margin and profitability in clothing, and protecting our market share,"

In UK clothing, sales for the half-year increased 2.7 per cent to £1.38bn, with little price inflation. Sir Richard sald "extraordinary weathar" in August, September and Octo-ber produced sales below last

That meant higher markdowns, to keep stock levels under cootrol. But operating costs were reduced, allowing margins to be maintained. Food sales rose 5.9 per cent

discounter. Further evidence of to £1.15hn, with milation running at 3 per cent. Analysts warned that taking into account increased floorspace, like-for-like volumes in both clothing and food were probably flat.

Total UK retail profits increased £15m to £349.6m. Profits from financial services, however, increased 45 per cent to £26.7m. despite a slow start to M&S's life assurance busi-

In continental Europe, operating profits increased from £5m to £6.1m, on sales up 20 per cent, but Sir Richard admitted margins were still "below what we would like".
In the international division,

Sir Richard said M&S's eight

Hong Kong stores were "going like a train", helping the Asian

division lift profits 11 per cent Results from Brooks Bros in the US, acquired for £400m in "very disappointing", with a £2.5m loss against a £700,000 profit. The M&S

Marks and Spencer



chairman said Brooks Bros' new chief executive, Mr Joseph Gromek, was reviewing every aspect of the business. "We will never justify the price we paid for [Brooks Bros]. I just want to justify buying it," Sir Richard said.

95

The interim dividend was lifted 7 per cent to 3p, on earnings per share up 8 per cent at 9.3p.

Warburg sale shakes MAM

By Nicholas Denton

Mercury Asset Management, the newly independent fund manager, yesterday said uncertainty over the ownership of S.G. Warburg, its former parent. had undermined its efforts

MAM, which won less new business than it had expected, reported a slowing in the net inflow of new funds under management. In the six months to September 30, the net inflow was £800m (\$1.26bn) compared with £1.8bn for the whole of last year.

Potential clients questioned the stability of MAM's ownership before it was spun off from Warburg earlier this year. Subsequently, some institutions outside the UK were confused when MAM stopped using the Warburg name, under which It had marketed

internationally. The disappointing new business figures contributed to a

rise was 20 per cent. National Power said it has

made a £20m claim against

GEC Alsthom, which has been

31p decline in MAM's share price to 888p, as did first-half profits towards the lower end of analysts' forecasts. Profit before tax rose nearly 12 per cent to £63.6m (£57m). Analysts had forecast £61m-£71m.

Although funds under mangement grew from £62.7bn to £70.9bn with the rise in equity markets, transactions declined. depressing charges to clients and MAM's margins. Nevertheless, earlier investments in equipment enabled MAM to

keep a tight rein on costs. The cash generated by MAM, which retained profits of £48m in the 18 months to September, has allowed expansion. Yesterday it announced the purchase for A\$23.5m of the 50 per cent of Potter Warburg Asset Management in Australia it did not

Mr Hugh Stevenson, MAM chairman, said the group's international priority was in the US, the world's largest pool

Although Professor Stephen

Littlechild, the regulator, is

thought to have recommended

the bid be referred. Mr Henry

said the company could make

undertakings which would

However, the fact that

National Power bas bought

less than 7 per cent of

Southern's shares in the mar-

ket suggests it believes there is

ence, It has acceptances which

a significant risk of a refer-

address his concerns.

LEX COMMENT

Dull half year from MAM

Poor old Mercury Asset Management. The fund management group's drive to win new business was hit by the trou- FT-SE-A All-Share Index oles of its erstwhile parent, 130 S.G. Warburg, before it was bought by Swiss Bank Corpora-

tion. That, at least, is the company's excuse for a dull first-half performance, in which it managed to attract only £800m in net new business. Still, it seems unfair to beap all the blame on Warburg, MAM's own less-than-sparkling invest-ment record probably also diminished its ability to pull in

clients. Its biggest rivals ~ such as Schroder Investment Management - have been doing better, MAM's uninspiring results are hard to square with its claim to be in a growth industry. Growth may, of course, pick up in the second half to reflect MAM's improved investment performance and the absence of the Warburg factor, And while MAM's core UK pension fund business is fairly mature, there are opportunities in retail investment management and overseas pension funds. The snag is that MAM is out well positioned for these growth

areas, though the £11m purchase of the outstanding stake in Australia's Potter Warburg will help remedy this weakness.

On fundamentals, MAM's premium share price rating cannot be justified. A rating of over 17 times this year's expected earnings only makes sense if one believes the company will be acquired. But though many banks would probably like to buy MAM, the company wishes to stay independent and it would be pointless to launch a hostile bid for a business whose main assets are its staff.

Marks and Spencer

Marks and Spencer may not have bucked the summer's dire trend for clothes retailing, but its first half results are nonetheless impressive. Despite a decline in clotbing sales in August and September - which has continued in October the group produced a 6 per cent increase in turnover and a 9 per cent increase in pre-tax profits. Financial services turned in a strong 45 per cent rise in profits; and food retailing proved resilient in the face of supermarket discounting. A surge in interest income also helped, though this is unlikely to be repeated in the second half given the need to make up a pensions shortfall.

Such evidence of the group's defensive qualities may beip reverse its underperformance relative to both the market and the sector this year. Poorer growth prospects than in the past are easier to overlook now that the stock's befty premium to the market has slipped. It is well positioned to benefit from a likely upturn in UK retail sales in the run-up to Christmas which should continue into next year. Furthermore, increased turnover in continental Europe bodes well for future earnings growth, provided an improvement in economic conditions there leads to better margins. M&S already has a strong foothold in Europe and Asia, providing routes for expansion, not available to others in the sector. Its experience with its Brooks Brothers acquisition in the US, which is still failing to perform, may not augur well, but the group's record of organic growth is a strong one.

Anglian opposed | Nat Power keeps overseas plans to impositions

By Peggy Hollinger

Anglian Water yesterday added its weight to the campaign against the industry regulator's attempts to pressurise water companies into sbaring efficiency gains with consum-

Mr Alan Smith, managing director, said be was "all for voluntary benefits sharing, but certainly opposed to anything which might be imposed by the regulator'

Anglian had paid a one-off £6 rebate to customers last year and would be spending £15m this year to improve water supply and on environmental initiatives in the region. He said the Labour party

was "unwise" to propose the imposition of caps on profit-ability beyond which profit increases would be sbared between the companies and

His comments follow last week's report from the Office

for Water Services in which the regulator said companies should consider sharing additional efficiencies - beyond those allowed for in the pricing

Mr Smith's statement accompanied Anglian's interim results. The group said annual cost savings of £20m, resulting from a rationalisation programme introdoced last year, would be achieved one year earlier than expected. A forther £20m in cost savings would be made over the next three years. Pre-tax profits for the six

months to September 30 were 4 per cent up at £125.8m (\$198.8m) against £120.6m. The utility business benefited from price increases and cost-cutting, which included the 880 job losses.

Forecasts are for profits this year of about £245m (£216m) and total dividends of about 29p put the shares on a pro-spective yield of 6 per cent.

By David Wighton

National Power, the larger of the two privatised generators, yesterday insisted that its international ambitions would not be constrained if its £2.8hn (\$4.42bn) bid for Southern Electric was successful.

Mr Keith Henry, chief executive, denied suggestions that the bid reflected a reduced enthusiasm for international expansion. "We will continue to aggressively pursue projects

British Petroleum says it has not been asked by British Gas to renegotiate any North Sea gas supply contracts.

Mr John Browne, chief executive, yester-

day said the company was willing to talk

to British Gas about the long-term "take

or pay contracts," which required British Gas to pay BP and other North Sea pro-

ducers for supplies that British Gas no longer needed.

By Robert Corzine

Mr Henry admitted bowever that the process was "long and

National Power has so far put £214m of equity into its international interests in the US, Portugal, Spain and Pakistan, which generated slightly lower returns of £5m in the six months to October 1. Overali profits rose 5 per

cent to £254m before tax and exceptional items. Including last year's £30m tion of government debt, the

accepted, for delays to the commissioning of its new Little Barford power station in Bedfordshire. The problem was caused by faults in the gas tur-

bines supplied by General Electric of the US.

British Gas wants North Sea producers

But Mr Browne said it was important

BP's third-quarter results published yes-

book the profits until gas is delivered.

to renegotiate the contracts because the onset of gas competition in Britain has

altered the structure of the market.

value of the contracts.

Mr Henry said there were no competition reasons why the Sontbern bid should be referred to the Monopolies and Mergers Commission.

BP willing to talk about gas contracts The UK gas dispute had little impact, however, on the group's overall results. The company sloughed off a "temporary downturn" in chemical demand in Europe to report a 28 per cent rise in third-quarter

cent of the shares

that any talks did not undermine the replacement cost profits of £532m (\$841m) fore exceptional items. Mr Browne confirmed that BP was plan-ning to cut additional refinery capacity in terday reported lower gas deliveries in the UK as a result of the surplus. Although the coming year and to link more closely the company is paid for the gas, it cannot the remaining refineries with their mar-

the of 1995



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MATTER OF RECORD

NOVEMBER 1995

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GROUP PROFIT BEFORE TAXATION UP 8.8% TO £385 MILLION.

GROUP TURNOVER UP 5.7% TO \$3.2 BILLION. INTERNATIONAL M&S STORES TURNOVER UP 19%. FINANCIAL ACTIVITIES

PROFIT UP 45%.

DIVIDEND INCREASED BY 7% TO 3p.

"The group has again produced solid growth against a background of consumer restraint and intense competition for disposable income"

MARKS & SPENCER

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UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE SIX MONTHS ENDED SEPTEMBER 30th, 1995

	ACCOUNTING YEAR ENDED 31.03.95 (RS IN MILLIONS)	SDX MONTHS ENDED 30.09.94 (RS IN HELLIONS)	SIX MONTHS ENDED 30.09.95 (RS IN MELLIONS)	SEX MONTHS ENDED 30.09.95 (US S IN MELLIONS)
Net sales (including excise duty) and income from operations	22,084.0	9,929.1	12,810.5	375.564
Other income (net)	787.2	394.9	757.7	22.213
Total sales and other income	22,871.2	10,324.0	13,568.2	397.777
Total expenditure	17,683.1	7,872.1	10,448.7	306.324
Interest	114.0	59.4	41.8	1.225
Gross profit after interest but before depreciation & taxation	5,073.5	2,392.5	3,077.7	90.228
Depreciation	586.8	277.1	406.9	11.929
Profit before tax	4,486.9	2,115.4	2,670.8	78.299
Provision for taxation	1,435.0	750.0	895.0	26.239
Net profit	3,051.9	1,365.4	1, 775.8	52.060
Profit after prior period adjustments	3,095.8	1,358.5	1,748.7	51.266
Earnings per share - annualised (Rs.) / (US \$)	40.17*	36.11	43.94	1.288
Paid up equity share capital	795.9	752.5	795.9	23.33
Reserves (excluding revaluation reserves as per balance sheet of previous accounting year)	9,614.6			

NOTES: 1. The above results have been taken on record in a meeting of Board of Directora held on 8th November, 1995, 2. The total two and three wheeler production and sale during the first six months was 621,498 and 613,979 respectively. The corresponding figures for the six months ended 30,09,94 were 531,039 and 518,608,3. The total exports of the company in the first six months were Rs. 932.1 million against Rs. 643.2 million during the six months ended 30,09,94.4. Total expenditure includes provision of Rs. 67.7 million in respect of additional bonus payable for the years 1993-94 and 1994-95 as per The Payment of Bonus (Amendment) Ordinance, 1995. 5. The conversion rate for currency has been taken as US \$ 1 = Rs. 34.11.

"Shares issued by way of GDRs are considered on weighted average basis for computing EPS for the previous year.

BY ORDER OF THE BOARD OF DIRECTORS FOR BAJAJ AUTO LIMITED

CHAIRMAN & MANAGING DIRECTOR

Allied Domecq slips to £494m. By Roderick Oram, Ponsumer Industries Editor Ulied Domecq yesterday Direct dividend comparisons were complicated by a change in year end. The group will naw 25 cm. The

Allied Domecq yesterday reported a 21 per cent drop in annual pre-tax profits to £494m (\$780m), hit by the costs of reshaping its businesses, sharp discounting in some spirits markets and a steep drop in UK beer profits.

"We now have the fundamentals for long term growth in place," said Mr Michael Jackaman, chairman. Selling £750m of mostly food assets over the past year had focused the group on spirits and retail-ing which have both been restructured. Excluding exceptional charges of £141m, pre-tax profits were flat at £635m.

But the group's cautious comments on spirits prices and evidence of discounting in some markets led more optimistic analysts to downgrade their forecasts for current year pre-tax profits by about £30m

from a foreign income dividend) for the 18 months to August against 22.2p in the previous financial year.

Trading profits from spirits and wines rose to £501m (£431m) in the 50 weeks to August 31, thanks to the first full inclusion of profits from Domeco, the Spanish producer with large Mexican and Latin American operations.

Economic turmoil in Mexico had cut profits in peso terms by 7 per cent while devaluation cut it 20 per cent to £48m. At current rates, Mexican profits would have been £23m.

Group spirit volumes were up 2 per cent overall but declined in the second half after a 5 per cent rise in the first. Many leading brands such as Ballantine's Scotch whisky, Kahlua liqueur and Beefeater gin grew far faster in



Tony Hales (left) with Tony Trigg, finance director

the year. Prices were down 1 per cent in Europe, up 3 per cent in the US and up less than 1 per cent worldwide. Marketing spend rose 12 per cent to

Trading profits st Carlsberg-

Tetley, Allied's UK joint ven-ture with the Danish brewer, fell to £47m (£75m) on turnover ahead 3 per cent at £1.02bn. A swing in volume to lower margin off-trade sales were the leading factor.

Sir Colin Marshall to head Inchcape

By Tim Burt

Inchcape, the international marketing and services group, yesterday named Sir Colin Marshall as its chairman and invited him to apply his experience of British Airways to its £100m restructuring pro-

The appointment of Sir

Colin, who last week said he Dsvid. Plastow, would become non-executive and part-time chairman of BA next year, follows a sharp decline in profits at Inchcape It has been hit by reduced competitiveness among Japa-nese carmakers, for which it is the largest distributor in the

Sir Colin will succeed Sir

announced his retirement in September, when Inchcape reported first-half profits down from £125.5m to £18.6m, and warned that e £64.7m exceptional charge would be followed by a further £50m of

write-offs in the second half. Mr Charles Mackay, chief executive, said: "We will be asking Sir Colin to look at what we've done in cutbacks end look et our strategic development, particularly in

the automotive industry." Sir Colin said Incheape had "taken most if not all of the action required". He said he would be emphasising customer service when be took up 3 his appointment in January.

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MEGGETO									- Dividends -	******	
	Tuenovi	- Cal		-tex t (Eat)	B.	S (b)	Current payment (p)	Date of payment.	Corresponding dividend	Total for year	Total last year
					~~	(37.6)	11,8	Feb 23		39.35#	22.2
Allied Domecq 50 wis to Aug 31☆☆	6,051	(5,619)	494	(628)	22.6		4.9	Jan 2	4.9		17
American inti 6 mins to Sept 30	163.9	(163.1)	19.8	(8.81)	20.1	(20.8)		Feb 20	8		26
Anotten Water 6 miles to Sept 30	372.2	(358.3)	125.8	(120.6)	41.2‡	(38.7)	8.9		•		
Bath Press	17.9	(16.1)	1.15	(0.935)	0.67	(0.56)	0.14	Jan 12	0.05		1
Sail Lies	12.9	(125)	0.004	(0.258)	0.03	(0.35)	0.35	Apr 10	0.35	•	10.5
Boustead 6 miles to Sept 30	26,897	(24,522)	1,982	(1,697 ♥)	23.2	(21.9)	40	Feb 5	2.5	•	10.5
9 mths to Sept 30			50.8	(24.4)	3	(1.8)		-		•	2.5
BSIGB	214.5	(156.7)			9.7	(8.3)	2.6	Jan 1	2.4	•	85
lartiepool Water 6 mins to Sept 30	2.98	(2.97)	0.94	(0.9)	6.3	(8.6)	3	Jan 19	2.8	-	10.3
Marks and Spencer 6 miles to Sept 30	3,248	(3,072)	385.4	(354.2)			ே	Dec 16	4.5		26
AAM	128.5	(129.1)	63.6	(57)	24.2	(21,9)			3.7	6.2	52
MIT Composing	14	(10.9)	3.08	(2.51)	16.3	(13.1)	4.4	Jen 6		0.2	15 45
	1,668	(1,666)	254	(2114)	18.24	(14.4)	5.4	Jan 6	4.35	•	
	121.1	(84)	17.1	(14.1)	14.5	(12.2)	2.5	Jan 31	2.2		8.1
Conversaries left 6 mits to Sept 30			5.68	(4.11)	13.95t	(12.84)	2.75	Jan 17	1	4.25	T
PF Yr to Ang 31	47.8	(42.8)			1.851	(1.35)	0.35	Dec 22	0.35	0.7	0.7
NEW Yr to Aug 5	122,1	(111.7)	4.06♥	(3.25 4)	1.031	(199.)	400		0.00		
			AH-3	butable			Current	Date of	Corresponding	Total for	Total last
Investment Trusts	NA	f (p)		es (fin)	EP:	S (p)	payment (p)	payment	chidend	year	your
					0.94	(1.79)	1.8	Dec 22	1.6	1.8	1.6
Broadgate	135,37	(119.73)	0.116	(0.09)	2.31			Jan 26	1		2.75
imit 6 miles to Sept 30	105.7	(92.7)	4.77	(3.97)	1.7	(1.42)	1.1		10.5	17.5	15.5
Mercury Keystone	730.64	(612.78)	2.95	(2)	20,71	(14,06)	12.5	Dec 21	10.3	17.0	13.3
Montanaro BK Small 41 wks to Sept 30	108.8	(-)	0.318	(-)	1.27	(-)			•	•	
MORE LEGICIA SOLICE ALL ALL SOLICE SO	106,66	(92.56)	0.471	(0.344)	0.97	(0,93)	Q.B	Dec 29	0.6	-	1.2
Saraces Value 6 mths to Sept 30 TT			14.78	(14.04)		(7.41)	27	Jan 6	2.6	7.7	7.5
Scottleb Mathemat Yr to Sept 30	76.7	(42.9)	14.70	117.07 /		*****			_		0.5

Dividencis shown net, Earnings shown basic. Figures in brackets are for corresponding period. A Pro terms. A Comparatives restated. After exceptional charge. Valuer exceptional credit. #For 16 month period; includes foreign income dividend of 3,96p. ±On reduced capital, ‡Comparatives pro forms. \$\frac{1}{2}\$ Third quarterly; makes 11p to date. \$\subseteq\$ Special of 40p already paid. \$\frac{1}{2}\$ increased capital. \$\frac{1}{2}\$Using stock. \$\frac{1}{2}\$Comparatives for 11 months from incorporation.

The Financial Three plans it publish a Servey on Republicati

The survey will be included with every copy of the FT on that day and will reach over 1 million business readers in 160 countries worldwide.

Chris Schaanning in Birmingham:

Tei: (0121) 454 0922 Fax: (0121) 455 0869

Kirsty Saunders in London: Tel: (0171) 873-4823 Fax: (0171 873-3204

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TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 14 November 1995 1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 14 November 1995. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange

Equalisation Account. 2. The ECU 1,000 million of Bills to be issued by tender will be dated 16 November 1995 and will be in the

following maturities:
ECU 200 million for maturity on 14 December 1995
ECU 500 million for maturity on 15 February 1996
ECU 300 million for maturity on 16 May 1996

 All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (formerly Securities Office), Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 14 November 1995. Payment for Bills allotted will be due on Thursday, 16 November 1995.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

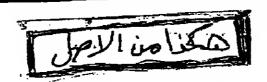
Her Majesty's Treasury reserves the right to reject any or part of any tender.

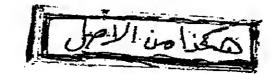
8. The arrangements for the tender are set out in more detail in the information Memorandum on the UK Government ECU Treasury Bill progremme Issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bills to be allotted directly to the Bank of Englend for the account of the Exchange Equalisation Account will be for maturity on 18 May 1998. These Bills may be made evalleble through sale end repurchase transactions to the market makers listed in the information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorendum (end supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills ere issued under the Treasury Bills Act 1877, the Netional Loans Act 1966 and the Treasury Bills Regulations 1968 as

Bank of England 7 November 1995





. Iceland's aluminium hopes

by Kenneth Gooding, Ining Correspondent

eland's aluminium smelter. holly owned by Alusuisseonza, is to be expanded at a st of SwFs250m (US\$220m). the extra 62,000 tonnes of nnal capacity - which will take the Isal smelter to 162,000 ennes a year - should be evailable late in 1997.

This raises hopes in Iceland that plans for a second smelter will be revived - many suggest that the country's future prosperity is firmly linked with primary aluminium production, attracted to the country by low cost, environment friendly, hydro-electric power.

Ahmax, the third-largest US aluminium group, said yesterday it was still interested in the Iceland project.

An official recalled that Mr Alan Born, Alumax chairman, had insisted: "The question is not if we will build the smelter but when we will build it".

The US group was previously in partnership with Hoogovens of the Netherlanda and Granges, part of Sweden's Electrolux group, and they planned a US\$1bn, 210,000 tonnes a year smelter near the Alusuisse plant at Straumsvik. But the project was shelved in Novemher 1991 because of low aluminium prices and financing difficulties.

Alusuisse's chief executive, Mr Theodor Tschopp, said yesterday that the expansion of his group's smelter would lower unit costs because of the "excellent energy supply conditions, an attractive fiscal framework and better use of the infrastructure".

The expansion would give

China's credit crisis is forcing

some of the country's trading

firms to sell the strategic metal

bismuth at a loss of up to 50

US cents a poimd, according to

a Hong Kong trader reports

Renter COM

Alusuisse access to its own supply of primary aluminium to replace metal bought from outside on contracts due to expire soon. It would "secure an important share of our metal supply at highly compet-itive costs." Alusuisse, which for some years has been strategically moving away from producing commodity metal to become a supplier of high valne-added products for the auto-

Alumbium	+1,500	to 545,126
Aluminium alloy	+80	to 50,320
Copper	+3,775	to 205,360
Leed	-2,525	to 186,900
Mickel	-384	to 50,190
Zinc	-2,500	to 702,450
ፖስ	-395	20 18,065

motive, transport, machinery and huilding markets, would continue to buy about half its aluminium needs from outside

Many analysts are suggesting that aluminium supply will be tight in 1996 and 1997 because so many proposed new smelter projects and expansion plans were shelved after prices hit rock bottom in the early 1990s, a drop caused by a flood of Russian exports.

Alumax provided more evidence of growing confidence among producers when it said it would restart about 90,000 tonnes of annual capacity in the US it shut down in 1993 and 1994. It insisted that "internal metal demand requirements for 1966 necessitate the capacity restarts."

Increased demand sprang mainly from Alumax'a proposed acquisition of Cressona, which produces extruded alnminium components for the

He said he had sold 90 tonnes

of Chinese bismuth in the past

month for companies that were

tight on cash flow because

local banks had called in loans

and interest payments.

boosted by expansion plan

About two thirds of the capacity restarts will be at the Intalco plant in Ferndale. Washington, where a group lead by Mitsui of Japan have a 14 per cent interest, and the rest will be at the Mt Holly smelter in South Carolina. Alumax, which controls about 710,500 tonnes of primary aluminium capacity, said it hoped to have the restarts completed

in the first quarter of 1996. Alumax follows Alcan of Canada and Kaiser Aluminium, another US group, in announcing the restart of capacity idled after the international trade agreement reached early last year between six of the hig aluminium producing regions. This resulted in ahont 900,000 tonnes of capacity outside Russia being abut down.

Merrill Lynch, suggests that the aluminium producers will reactivate capacity only on a very slow and phased in basis. "There is simply no point in them throwing away all the major gains made in reducing western world stock levels by restarting capacity in the first half of 1996 just because [the

Mr. Tad Arnold, analyst at

trade agreement] comes to an end then," he says. "We strongly suspect that the restarts will be phased in very gradually over the first three quarters of 1996. Indeed. aome marchants have suggested to us that both Alcoa and Reynolds Metals [respectively the world'a biggest and third largest producers] will not even consider restarts until labour contracts are settled. Contracts come up for renewal in May.

for beef and veal. Chinese 'selling bismuth at a loss' ing the bismuth on behalf of Chinese tungsten mines that were trying to raise cash in a tight market, and for Chinese import-export companies that bought the bismuth when

EU sheep regime defended

Criticism of the European Union sheep regime by the European Court of Anditors was ill-founded, the National Farmers' Union of England and Wales said yesterday.

The European Commission agreed last month to review support for sheep and goat farmers after the court said the regime was open to fraud and attracted a disproportionate amount of common agricultural policy money.

The court said premiums should be paid only to farmers in regions where it was impossible to pursue other farming activities. It also called for a more restrictive definition of so-called Less

Favoured Areas. Mr Ben Gill, the union's deputy president, said the regime was essential to mainta sheep farming in Europe's more remote regions.

These comments reveal a great lack of understanding on tha part of tha Court of Anditors," ha told farmers in sonth-west England. "Their comments are clearly removed from the realities of practical farming and force us to ask who is really running agricultural policy in Europe." Ha said the ewe premiums

encouraged farmers to look after the countryside and contributed to keeping jobs and infrastructure in rural areas. The court of auditors said CAP spending on the sector which goes mainly in premiums for 80m ewes and payments to 600,000 goat farmers had risen to Ecu2bn from Ecn600m in the early 1980s. Spending per kilogram of meat was over three times the level

Mr Gill said the cost of the ewe premium scheme could go up if prices were depressed by increased imports of sheep meat from New Zealand to meet a shortage in Europe. Copa, the organisation of European farmers' unions, has asked the Commission to mon-

NFUs seek dairy quota relaxation

COMMODITIES AND AGRICULTURE

European Union member states that exceed their quotas on milk production should be allowed to offset the surplus against under production in other member states, according to UK farmers' leaders.

The UK produces only about 85 per cent of its domestic needs under the common agricultural policy quota system introduced in 1984 and dairy farmers are fighting any attempts by Brussels to cut quota allocations further. A cross-border "balancing

England and Wales, Scotland, and Northern Ireland. They point out that the UK faced a fine of £48m in the

scheme" would redress unfair-

ness in the dairy regime, say the national farmers' unions of

1994-95 quota year because it produced far more milk than its quota allowed. But the EU as a whole was under-quota.

"The unused quota was sufficient to fully offset the superlevy bill of the UK and all other over-quota member states," the unions say. Their comments come in a

paper submitted to the House **EU Deiry Expenditure** Export Subsidies and school milk

of Commons agriculture committee, which is holding an inquiry into the UK dairy industry and the CAP dairy regime.
The unions say permanent

transfers of quota across the EU are not practical because member states operate differ-ent internal systems of quota trading. The British government has been pressing its partners, so far unsuccessfully, to agree cross-border leasing of

The farm unions call on EU agriculture ministers to make an early statement of intent with regard to the future of milk quotas".

These are due to operate until the end of the century, and dairy farmers want to know whether they will be phased out or continue in order to plan ahead.

Spending on the dairy sector amounts to £3.6hn, but has fallen as a proportion of the total CAP budget from 23 per cent to II per cent in the past decade. The UK receives 8 per cent of the dairy budget but produces 13 per cent of milk

"Because export refunds account for a large part of

deliveries.

dairy sector spending, expendi-ture in the EU tends to be concentrated in those member states with large export markets such as the Netherlands. France and Denmark," says the document.

It is "imperative" that dairy products be treated collectively in the next round of world trade talks, it says.

Under the Uruguay Round agreement, individual dairy products are subject to different commitments. This means the EU is likely to produce less cheese and whole milk powder for which world demand is expected to grow - and more low-priced hulk commodities such as skimmed milk powder

and butter. "[This] will depress producer prices and may create pressure for a quota reduction. EU producers will be less able to share in the benefits of a more buoyant world market," the

Land law worries W. Australian prospectors

significantly slowed mineral tenement approvals in Western Australia and would dramatically affect the state's future production, the head of tha Western Australian Department of Minerals and Energy said yesterday, Reports Reu-ters from Perth.

Western Australia, Australia's biggest mining state, prodnces 43 per cent of the nation's mineral and energy output and ranks as a major international supplier of raw

Mr Ken Perry, the DME's director-general, said there had

been a 95 per cent drop in the number of mineral titles issued in the state in the three months following a March High Court decision invalidating state native title laws in favour of Commonwealth legis-

"With five to 10 years between the exploration for minerals and the development of a mining project, the effects

now but a dramatic impact on production will be felt for many years." Mr Perry said after releasing the department's 1994-95 annual report. "Immediately after the high

court decision, the granting of tenement applications slowed to a trickle," he said. "We now have a backlog of applications awaiting approval, and the difficulty with clearing this backlog will affect mineral production for years to come."

Mr Perry said the number of

had escalated to more than 5.000 from just under 3.000 on March 16. "Some titles are now starting to come through the system but clearing the back-log will take time," he added.

The problem of granting mining tenement approvals was also highlighted in a report this week by the Melbourne-based Allen Consulting Group on the impact of the Commonwealth's Native Title Act on Western Australia's

Wheat Board in Egyptian flour mill venture

By Nikki Teit in Sydney

The Australian Wheat Board, which handles the industry's overseas sales, is to take a 30 per cent interest in an Egyptian flour mill and grain-bandling complex being built at Port Suez on the Red Sea.

The AWB recently invested in an operating flour mill in China and has announced a plan to invest in a new one in

It said yesterday that all a million tonnes of wheat a three overseas investments year". were designed to "shortened It said that earlier this year the marketing chain" and it sold 165,000 tonnes to a

increase the potential for private Egyptian miller "at a export sales. The AWB noted that Egypt, traditionally a price significantly above competing US commercial fairly significant market for prices". Australian wheat, had recently deregulated the "top end" of its grain-buying and milling industry, adding: "We antici-

The complex - which will comprise a mill, with a capacity of 450 tonnes a day, and a grain-handling facility capable pate that this quality market of storing around 75,000 tonnes

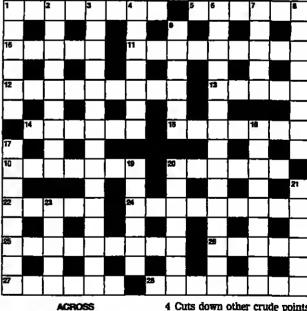
two years' time. Other shareholders will be the Australian Barley Board, with a 5 per cent interest, and Omani, Saudi Arabian and Egyptian business partners. There is no guarantee that Australian wheat will be used by the mill, but the AWB, which is paying A\$6m for its stake and will have three seats of a nine-member board, said it

was bopeful of becoming "a

Reuters.	ie trader said he was sell- prices were higher.	vietnam.	will need to import more than	- is due to be commissioned in major supplier.
COMMODITIES PRICES				JOTTER PAD
ASE METALS	Precious Metals continued GRAINS AND OIL SEEDS GRAINS AND OIL SEEDS WHEAT LCE (C per surre)	SOFTS # COCOA LCE (E/torne)	MEAT AND LIVESTOCK IN LIVE CATTLE CINE (40,000lbs; cents/lbs)	
rices from Amalgamated Metal Trading) ALUMINIUM, 99.7 PURITY (S per torne)	Solt Day's Open Solt they's Open price change West test to price change West test to price change West test test test test test test tes	Sett Bry's Open price change High Law Vol int Dac 831 +14 831 916 3,521 18,448	Bett Day's Open price change High Law Vol let Dec 87.750 -0.575 68.250 87.600 3.885 30.088	
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CROSSWORD

No.8,913 Set by ADAMANT



1 Snper vehicle in middle-of-the-road programme of course (8)
5 Overlook nothing in troubled 16 Some rousing music, a rollick-

ing song (5)
11 Old coins unsold? Boo to the exchange! (9) 12 Soft centres, unfortunately, contain final bit of toffee what shams! (9)

13 See about, say, a poem (5) 14 About to perform on American plant (6)
15 Gradually takes in the codes of law (7)

18 After a little time, eodless regret leads to the shakes (7)

20 Unexpected day among shifting dunes (6)

22 Choose to be fat (5)

24 For the time being mublicity

24 For the time being, publicity would hury a Cockney man

27 Good to speak in such a press

6 Flowers with golden rims are dependable investments

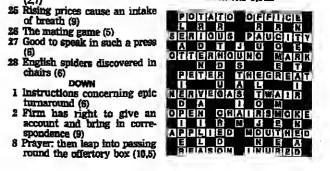
sphere (5) 8 One who tries to be a writer

9 Prepared to be kissed - it was in the bag! (5) 16 Lead attack on second parade he organised (9) 17 Joining the papers that tap into drink (8)

19 Conversion of attics or stable

a thousand from it (7) 21 Entertains us with same medley (6) 23 Not well, fellow? Got it in

Solution 8,912



Close Previous High/low AM Official E LEAD (\$ per tonne) Close Previous High/low AM Official Kerb close ■ NICKEL (\$ per tonne) 8630-35 8705-15 8710-20 44,796 9,302 Total daily turnover TIN (5 per tonne III ZINC, special high grade (\$ per tonne) 20,162 COPPER, grade A (\$ per torne) Close Previous High/low AM Official 3015-20 2817-18 ILME AM Official E/S rate: 1.5778 I LME Closing 2/3 rate: 1.5785 Shot: 1 5780 3 miles: 1.5750 B miles: 1.5713 9 miles: 1.5672 137.90 +2.50 138.60 136.00 227 134.05 +1.75 135.50 131.60 5.723 1

PRECIOUS METALS I LONDON BULLION MARKET S price 382.30-382.60 382.30-382.60 382.30 242.039 435.057 384.80 243.591 438.056 385.25-395.65 362.30-382.60 Day's High 385.25-385.65 Day's Low 362.30-382.60 Previous close 382.30-382.70 528.25 534,55 540.40 552.90

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10.31 +0.03 10.33 10.29 436 14,962
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10.13 +0.01 10.21 10.17 350 470 14.216 135.814 COTTON NYCE (50,000bs; cents/fbs) 88.10 -0.50 87.25 85.86 4,913 20,198 85.35 +0.18 85.25 85.50 2,403 18,421 86.66 +0.81 86.80 85.20 207 8,344 80.00 -0.15 80.00 80.50 73 1,421 77.05 +0.10 77.20 78.95 224 8,506 ORANGE JURCE NYCE (15,000lbs: cents/lbs) 124.08 +2.15 174.25 12Z.60 107 390 125.00 +1.85 125.50 121.85 1,344 18,075 127.00 +2.00 127.65 123.90 763 4,283 123.90 +1.85 123.00 125.50 134 1,465 130.89 +1.75 130.00 129.75 162 600 132.70 +1.85 - 130.25 100 501 2810 2628 REUTERS (Base: 18/9/51=100) CRS Febres (Base: 1967=100)

Nev 8 Nev 3 menth ago year ago 249.53 249.95 El GSCI Spot (Base: 1970=100)

Bartey (Eng. feed) Rubber (Nov)♥ Rubber (Dec)♥ Rubber (KL RSS No1) \$780.0u \$822.5 Coconut Of (Philips Paim Oil [Malay.)\$ Copra (Phi)\$ Soyabeens (US) Cotton Outlook*A* Index

LONDON SPOT MARKETS \$15.32-5.40x +0.080 \$16.65-6.67 -0.020 \$16.46-8.48 -0.016 \$17.70-7.72z -0.060 E OIL PRODUCTS MWE prompt delivery CF (forms) Heavy Fuel Oil Naphtha Jet fuel 283-85 ■ OTHER Gold (per troy oz) \$133.25 125.Dc 41.75c 15.84m 304.5c 127.64p \$306.9

52 101 28 75 13 54

Cattle (tve weight)†
Sheep (tve weight)†
Pigs (tve weight)†

companies in the growing pri-

vate sector which desperately need investment to expand in

the virgin market of 52m

ern milk or quality beer.

from foreign investment is Mr

Valentyn Kobylensky, a 33-year-old geophysics graduate.

A few years ago he obtained

office space from state institu-

tions and rented it to foreign companias. His company. MDMT Group, then moved into

supplying western quality foods and pharmaceuticals to Kiev's new upmarkel shops.

Since a distributor con-

stantly needs working capital, MDMT could only grow with outside help. It obtained new warehouse space and expanded

from 70 to 120 workers after a

\$600,000 investment - equal to

a 20 per cent equity stake - by

the Ukraine Fund, an \$11.8m venture capital fund started by

the Boston-based Claflin Capi-

"The companies in Ukraine

can be profitable early on," says Ms Margaret Daniels,

vice-president of Claffin Capi-

tal Management, which in the

US invests only in high-tech

companies. "I think the mortal-

ity rate of our companies in

Ukraine will be lower than in

tal Management.

the US."

people.

INTERNATIONAL CAPITAL MARKETS

Mixed data keep Treasuries on narrow path

and Antonia Sharpe in London

US Treasury prices traded in a narrow range early yesterday as traders faced mixed economic data and uncertainty about the Treasury department refunding operations.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was 1 lower at 1072 to yield 6.297 per cent. At the short end of the maturity spectrum, the two-year note was off is at 100%, to yield 5.523 per cent.

News that wholesala inventories slipped 0.2 per cent in September troubled the market. It was the figure's first decline since June 1994, and may indicate that demand for manufactured goods is set to increase

Also, unit labour costs rose 1.1 per cent in the third quarter, according to a preliminary estimate from the Labor Department.

Offsetting those figures, however, was the department's estimate that non-farm productivity increased 2.0 per cent in the third quarter.

Ms Marilyn Schaja, an economist at Donaldson, Lufkin & Jenrette, said she was not troubled by the rise in labour costs because it followed a 1.2 per cent decline in the second quarter.

There was little initial reaction to news that a Congressional committee was to consider a plan to increase temporarily the debt limit at 5:30pm eastern time. For the most part. traders have discounted the possibility that the Congress would fail to lift the debt ceil-

■ The French government bond market ended the day higher on hopes that the resbuffled government would give priority to reducing the hudget deficit. Such action would put the Bank of France in a better position to ease interest rates analysts said.

French bonds initially fell following news that the government, apart from Prime Minister Alain Juppé, had resigned, but after a sbort period of uncertainty they staged a rally. As a result, the yield spread over 10-year Ger-man government bonds ended the day at 77 basis points compared with 80 basis points the

day before.

Ms Alison Cottrell, senior international economist at PaineWebber, said the government was under pressure to next two years.

which worried inflation-wary ing. thus forcing the US to implement its spending cuts investors. in the use of inflation its default on its de tary elections were scheduled for the beginning of 1998. The government has a pre-election budget problem to sort out," she said.

On the Matif, the December contract of the notional 10-year French government bond future rose a half-point to 117.64 in heavy voluma of day's high of 118.02. In the cash markel, tha yield on 10-year paper fell to 7.19 per cent from 7.27 per cent. The December Pibor future rose 0.22 point to

■ The UK gilt market traded quietly ahead of today's publication of the Bank of England's inflation report. Analysts at HSBC expect little change in the Bank's strategic view of the inflation outlook for the

In August, the Bank's forecast for the RPIX measure of inflation in the third quarter of 1997 was 2% per cent. "We would expect the new Q4 forecast to he similar," said

HSBC's Mr Ian Shepherdson. On Liffe, the long gilt future was just it higher in the late afternoon at 107%, having traded in a narrow range of 1 during the day.

■ The release of labour market data for October failed to give the German market much direction and bunds ended slightly lower after a fairly lacklustre day. The market did not appear to focus on job fore-casts made by the Federal Labour Office which some analysts said placed a question mark over the German hudget

for next year. September M3 money supply figures are likely to be published over the next few days.

Meanwhile, S&P placed its

AA+ long-term rating for UK

regional electricity company Seeboard on CreditWatch with

negative implications after the

£1.6bn agreed bid for Seeboard

from Central & South Western

Shake-up at Venture capitalists JSE aims breach Ukraine's appeal

By Philip Gawith

The Johannesburg Stock Exchange, the world's 10th largest by market capitalisation, steps into a hrave new world today when the new Stock Exchanges Control Act usbers in a fundamental restructuring of the exchange, its members, and the way in which business is conducted.

The reforms seek to make the JSE more efficient in its core capital-raising function. and to enhance its appeal to foreign investors now that political reform has made the country an acceptable investment destination.

They represent the fruits of a three-year consultation process and amount to a local version of the "Big Bang" experienced in the London stock market in 1986.

The reforms should halp improve the JSE's notoriously poor liquidity, although this problem will only properly be solved when exchange controls are abolished, allowing South African investors to go

offshore. One of the main effects of the restructuring is that stockbrokers will be able to deal as principal with their Sonth African clients. Previously they could deal on

an agency basis.
Other changes include negotiable commissious, membership corporata (including banks), and a phased move from an open-ontcry system towards screen-based trading. Capital requirements will

also be brought into line with European Union standards. While corporate membership takes effect from today, most investment frontier Ukraine could be the next As Hungary and Russia get crowded, venture capitalists port of call for western lextile or furniture producers. Exportare moving into Ukraine, castbased light manufacturing has ern Europe's last large investalready moved from central ment frontier. The draw is neither a favour-Europe to the Baltic countries as manufacturers chase low able business climate nor a tabour costs. good privatisation scheme, but

While the Ukraine Fund works only with start-up companies, the new and bigger \$150m Western NIS Enterprise Fund will also seek to invest in former state-owned companies. Mr Scott Carlson, president.

Venture capital in the west typically targets innovators such as computer start-ups in says that since many entrepreneurs "still treat the place as Silicon Valley. In Ukraine, the their own fieldom", his fund innovators are often companies "demands the ability to remove the management if it doesn't that can make or supply westperform". One entrepreneur to benefit

Overall, cumulative foreign investment in the first balf of 1995 totalled \$556m - : dls:rppointing \$10 a head, Mr Carlson says a reasonable tax system, faster privatisation and a streamlined bureaucracy are needed to increase capital flows into Ukraine.

Ukraine also needs to develop its capital markets. At present only four companies trade on the Kiev stock exchange. Kinlo, a kiev investment bouse, this year set up a \$5m fund that invests through the voucher-based privatisation scheme.

Yet many investors argue that in an undeveloped ecunomy such as Ukraine's, the stock market cannot provide the necessary financial investment and corporate gover. nance to companies with limited resources and experience.

"We're all traitblazing here." says Mr Jaroslav Kinach, resident representative of the European Bank for Reconstruction and Development, which has committed \$225m to projects in Ukraine. "If business is to thrive here it needs venture

Strong demand for KfW DM750m issue

By Conner Middelmans

With investors keeping a low profile, the eurobond market had another subdued day, seeing a scattering of new issues in a wide range of currencies. In the D-Mark sector, KfW International Finance, the financing arm of the German reconstruction agency, issued

INTERNATIONAL BONDS

DM750m of 6.25 per cent eightyear bonds fungible with DM1.5bn of outstanding bonds

issued in September 1993. Keen to raise funds with a maturity above five years, KfW decided to re-open its outstanding issue as the seven-year D-Mark sector was still awash with bonds from recent supranational jumbo issues and the

7.16 8.78 7.87 8.86 8.82 4.36 8.51 7.28 8.61

8.08 5.82 8.26 9.06 8.15

43-km 43-km 36-2-36-3-31 30-3

strong international demand. The deal was jointly managed by Commerzbank, CSFB Effectenbank and Dresdner Bank. Elsewhere, Volvo, the Swed-

ish car manufacturer, launched a Y15bn 10-year domestic bond the first Samurai issue by a foreign automotive company and the first Samurai to be managed by a non-Japanese brokerage firm, Merrill Lynch (apart from its own issue earlier this year). The issue represented access to a new funding source for Voivo, extending the maturity profile of its deht portfolio and attracting a new investor base in Japan, the

company said. In the sterling sector, the Mortgage Funding Corporation issued £148,5m of floatingrate notes backed by a pool of residential mortgages originated by the Mortgage Trust; £134.5m of Class A senior notes and £14m of Class A2 and Class

point of accurity. Lead manager Kleinwort Benson reported good demand from investors keen for higher-yielding floating rate notes.

peny to As2 from AAA; tha move follows a downgrada by Standard & Poor's in October. It also emerged last night that the company's planned £200m Moody's, the rating agency, cut the long-term debt rating of the UK National Grid Comissue of 10-year bonds, expec-ted this week, has been post-

	NEW I	NTER	OITAL	NAL B	OND	ISSUES	
Borrower D-MARKS	Amount	Coupon %	Price	Maturity	Foes %	Spread bp	Book runner
KfW International Finance(s) Dapo International Finance	760 200	6.25 8.375	99.13R 102.47	Oct.2003 Nov.2002	0.30R 2.75	+16(61/96-03)	Commerz, /CSFB /Drescher Westdautsche Landesbank
YEN Export Finance*	15bn	(b)	100.50	Dec.2015	0.50		Dalwa Europe
STERLING MFC, No.6, Tranche A1(c)‡	184.5	(c1)	99.84R	Nov.2035	0.20R		Kelment Benson
LLIXEMBOURG PRANCS Ask-Cger Mico Xrediebenk Luxembourg	2.5bn 2bn	2000 6.50	81.90 102.50	Dec.1999 Dec.2002	1,25 1.875	:	Banque UCL Kradiethank Luxembourg
ITALIAN LIRE EBRD(d)	150bn	10.60	100,825	Nov.1997	1.125		BNL
AUSTRALIAN DOLLARS New Sth. Wales Treasury Corp.;	÷ 200	7,500	99.209	Nov.2000	1,875	-	Nomura, International

DANISH KRONER 102.00 Jan.2001 1.875 Den Danske Bank

national jumbo issues and the 10-year sector was not seeing much investor interest, said an official at one of the lead managers. He said the bonds saw E134.5m of Class A senior notes and £14m of Class A2 and Class B notes secured on the same pool of mortgages but ranking behind the Class A notes in	Final forms, non-ealable unless stated, Yield spread (over relevant government bond) at a Floating-rate note, #Semi-ennual coupon. Pt fixed re-offer price; fees shown at re-offer t accrued, b) 8.01% in AusS or 5.51% in DM or 8.61% in USS at issues option, c) Mort mortogers, Averne fits: 43, vrs. Catable or coupon dates from Nov.99 etc. c1)	well a Brookle with Dill for Dire 30 days of the other reforms will the attractive sectors named canital"
WORLD BOND PRICES		
BENCHMARK GOVERNMENT BONDS	BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES Price Indices Tue Day's Mon Accrued ad adj. — Low coupon yield — Medium coupon yield — High coupon yield
Red Day's Week Month Coupon Date Price change Yield ago ago	Price Dec Jan Feb Mar Dec Jan Feb Mar	Price Indices Tue Day's Mort Accrued ad adj. — Low coupon yield — Medium coupon yield — High coupon yield — High coupon yield — High coupon yield — Mort Sitts Nov 7 Nov 6 Yr. ago Nov 7 Nov 8 Yr. ago Nov 7 N
Australia 7.500 07/05 92.0500 -0.250 8.73 8.71 8.64 Austria 8.875 06/05 100.0000 +0.130 6.87 6.91 7.02	9650 8.58 8.54 8,78 0.95 0.23 0,78 1.02 1,16 8700 0.31 0.35 0.56 0.72 8.45 1,09 1.30 1.46	1 Up to 5 years (22) 121.73 -0.03 121.76 1.60 9.72 5 yrs 7.36 7.36 8.95 7.37 8.69 7.48 7.45 8.95 2.5-15 years (21) 145.55 -0.11 145.70 0.89 11.73 15 yrs 8.00 7.98 8.58 8.05 8.03 8.72 6.11 8.11 8.95
Belglum 6,500 03/05 67,3900 +0,160 6.88 6.95 7,19	9750 0.14 0.22 0.39 0.55 0.78 1.46 1.83 1.79	3 Over 15 years (9) 161.89 -0.23 162.26 1.57 12.13 20 yrs 8.06 6.03 6.54 8.09 8.07 8.72 8.15 8.16 886
Denmark 7,000 12/04 95,3600 +0,120 7.73 7.82 8.02	Est, vol. total, Calls 24750 Puts 18640. Previous day's open Int., Calls 180809 Puts 175944	4 trredeemables (6) 184.27 +0.52 183.31 0.30 13.47 tred.† 8.13 8.17 8.61 5 All stocks (58) 141.36 -0.10 141.50 1.28 11.18
France BTAN 7.750 04/00 105,1250 +0,750 6.47 6.47 6.83 OAY 7.750 10/05 103,9500 +0,530 7.16 7.29 7.71	Italy NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES	Index taked Nov 7 Nov 6 Yr, ago Nov 7 Nov 6 Yr, ago
Germany Bund 6,500 10/05 100,7000 -0,080 6.40 6.43 6.66 Ireland 6,250 10/04 89,6500 +0,100 7.90 8.03 8.33	(UFFE) Lira 200m 100ths of 100%	. 8 Up to 5 years (1) 194,18 +0.18 193.81 0.29 8.37 Up to 5 yrs 3.12 3.19 4.07 2.02 2.06 2.95
Japan No 129 6.400 03/00 119,7200 -0.010 1.56 1.56 1.52	Open Sett price Change High Low Est vol Open int.	7 Over 5 years (11) 187.18 +0.18 186.83 0.96 4.45 Over 5 yrs 3.83 3.64 3.88 3.44 3.45 3.69 8 All stockes (12) 187.18 +0.18 186.85 0.95 4.54
No 174 4.600 09/04 113.0460 -0,120 2.77 2.75 2.71 Netherlands 7.000 06/05 103,8000 -0,020 6.45 6.48 8.69	Dec 102.93 102.84 - 103.05 102.51 39958 43463 Mer 102.55 102.43 +0.01 102.55 102.40 360 1825	Average gross redemption yields are shown above. Coupon Bends: Low 0%-7*%; Medium: 8%-10%%; High: 11% and over, † First yield, yid Year to date.
Portugel 11,875 02/06 104,2700 +0,280 11,08 11,21 11,30 Spain 10,150 01/06 94,4300 - 10,75 10,94 10,97	■ ITALIAN GOYT, BOND (BTP) FUTURES OPTIONS (LIFFE) Lin200m 100ths of 100%	
Sweden 6,000 02/05 80,5980 +0,182 6,20 9,20 9,63 UK Gits 6,000 12/00 102-31 -1/32 7,28 7,37 7,68	Price Dec Mar Dec Mer	
8.500 12/05 104-10 -4/32 7.87 7.93 6.13	10290 0.91 2.07 0.57 2.14	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES
US Treasury 6.500 08/05 103-25 -8/32 5.98 6.04 8.27	10950 8.44 1.64 1.18 2.71	Nov 7 Nov 8 Nov 3 Nov 2 Nov 1 Yr ago High' Low Nov 8 Nov 8 Nov 3 Nov 2 Nov 1 Oct 31
8.875 08/25 107-18 -12/32 6.31 6.34 6.60 ECU (French Govt) 7.500 04/05 99.3600 +0.630 7.59 7.66 7.83	Est. vol. total, Calls 2140 Puts 1143. Previous day's Open lat., Calls 48009 Puts 48936	Govt. Sucs. (UK) 94.06 94.05 93.84 94.04 93.69 90.89 95.51 90.22 Gilt Edged bargains. 72.6 95.4 91.2 86.3 87.5 Fixed interest 112.58 112.41 112.58 112.42 112.07 107.59 114.66 109.77 5-day average 86.6 90.8 87.6 89.0 95.1
London closing, "New York Indicasy 1 Telefas Local menses standard, 1 Gross (Including withholding tax at 12.5 per cent psyable by nonresidents) Prices: US, UK in 32nds, others in decreal Source: MMS International Source: MMS International	Spain NOTIONAL SPANISH BONG FUTURES (MEFF)	1 for 1995. Covernment Securities high since completion: 127.40 (91/75), low 49.16 (2/1/75). Fixed Interest high since completion: 133.87 (21/764), low 50,53 (3/1/75). Basis 100: Government Securities 15/10/25 and Fixed Interest 1928. SC activity indices represed 1974.
US INTEREST RATES	Open Sett price Change High Low Est. vol. Open Int. Dec 89.72 89.56 -0.08 89.77 69.40 53,274 32,054	These transports have assess
Latest Treasury Bits and Bond Yields	Mar 89.50 89.51 -0.05 89.50 89.50 279 473	FT/ISMA INTERNATIONAL BOND SERVICE
Pritong rate Size	UK NOTIONAL UK GILT FUTURES (LIFFE) 250,000 32nds of 100%	Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 7 Issued Bid Offer Chg. Yield
Braker loan rate 712 Three month 5.54 Five year 5.76 Fed funds 513 Six month 5.53 10-year 5.98	Open Sett price Change High Low Est vol Open Int.	U.S. DOLLAR STRAKSHTS Sweden 8 97
Fed_funds at intervention One year 5.47 30-year 8.31	Dec 107-18 107-12 -0-04 107-23 107-09 40097 109143 Mar 107-00 106-24 -0-05 107-00 106-23 458 2969	Abbay Ned Treesury 5 97 1000 99 994, 5.84 United Kingstom 71, 97 5500 1051, 4.36 Aliance Loics 111, 87 5 100 105 1061, +1, 6.56
	E LONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%	ABN Antero Bank, 74, 05 1000 1044, 1042 4, 6.75 World Bank 515 2000 2542 27 44 6.62 Dermark 64, 98.2 800 984 99 724 African Dev Bk 74, 23 500 103 10342 4, 7.12 World Bank 57, 99 3000 974, 9734 42 8.34 58 6 63 5 1000 100 100 100 100 100 100 100 100
	Strike CALLS PUTS Price Dec Jan Feb Mar Dec Jan Feb Mar	Alberta Province 75 98 1000 1045 7047 3 5.89 Hallon 1019 97 8 100 1041 1015 878
BOND FUTURES AND OPTIONS	1 107 0-55 0-62 1-24 1-40 0-31 1-14 1-40 1-56	
	108 0-24 0-36 0-61 1-12 1-00 1-52 2-13 2-28 109 0-09 0-16 0-41 0-54 1-49 2-35 2-57 3-06	Bank Ned Gemeerten 799
France	Est. vgl. total, Calle 3303 Puts 535. Previous day's open Int., Calle 34691 Puts 30152	Bulgium 51/2 99 1000 941/2 941/2 14 6.44 Demmerk 41/99 1000 1041/2 11041/2 11041/2 1
NOTIONAL FRENCH BOND PUTURES (MATIF) FF1500,000	Ecu	500 1074 1072 - 300 1074 1072 - 300 105 105 105 105 105 105 105 105 105 1
Open Sett price Change High Low Est. vol. Open Int.	ECU BOND FUTURES (MATIF) ECU100,000	Canada 8½ 97 2000 1014 1014 - 5.75 lostend 74 00 100 1154 1159 4.01 Tokyo Bec Power 11 01 2 150 1134 750
Dec 117.30 117.64 +0.50 118.02 118.08 231.247 113.290 Mar 116.04 116.04 +0.45 117.20 118.58 3,946 8,880 Jun 118.74 117.04 +0.46 117.30 116.74 20 2,166	Open Sett price Change High Low Est. vol. Open Int. Dec 87.22 87.78 +0.68 67.92 87.22 2.449 9.458	China 612 04
Jun 112,74 117,04 +0,46 117,30 116,74 20 2,166		Demmark 5% 98
Strike CALLS	us	East Japan Rathway 6% 04
Price Dec Mar Jun Dec Mar Jun	■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	EB 8 04 500 974, 98 -1, 635 World Burk 7 01 600 11512 11514 +14 3.73 PLOKOTING RATE NOTES
115 2.70 0.07 8.70 -	Open Sett price Change High Low Est, vol. Open Int. Dec 117-23 117-12 -0-12 117-26 117-13 104,276 405,502	Bird de Francia 6 99 200 103½ 106% 5.93 YEM STRANGHTS 75000 115 115½ 1,70 Abboy Next Treasury ½ 98 1000 59.77 5.9125
116 1.79 1.92 - 8.15 1.01 - 117 0.98 1.34 1.86 0.32 1.42 1.84	Mar 117-11 117-01 -0-12 117-14 117-02 1,582 34,272	Export Dav Corp 9/2 98 150 108/2 108/4 5.96 Crede Foncier 4/4 02 75000 1109/2 1109/4 1109/4 2.99 Bantomerica 1/2 99 750 99.67 99.77 6.0000
118 0.42 5.90 - 0.75 Est. voj. tetal, Calls 56,430 Puls 30,303 . Previous day's open int., Cells 139,367 Puls 143,547.	Jun 116-27 116-24 -0-05 116-29 116-21 304 6,225	Fed Home Loan 7 ¹ 6 99 1500 104 104 104 1 5.99 EB 6 ¹ 6 100 100000 1201 120 ¹ 6 1.78 Belgium 1 87 DM 000 100.11 100.23 4.675 Federal Neil Mort 7.40 04 1000 107 ¹ 6 107 ¹ 2 -1 6.40 Ex-lm Bent, Japan 4 ¹ 6 09 105000 111 111 ¹ 6 280 Carredo -1 98 200 99.31 99.39 5.6250
	Japan	Francis St. 57
Germany	NOTIONAL LONG TERM JAPANESE GOVT, BOND FUTURES (UFFE) Y100m 100ms of 100%	Ind Bit Japan Fin 7% 87 200 102% 102% 146 8.08 Japan Der Bit 5 90 100000 1134 1134 1.48 Credit Lyomeis 1: 00 000 97.99 98.26 5.8750 inter-Armer Der 7½ 05 000 1074 1075 14 8.42 Japan Der Bit Bis Di 20000 1256 1250 100.04 100.13 87375
IN NOTIONAL GERMAN BUND FUTURES (LIFFE) D4(250,000 100ths of 100% Open Set once Change High Low Est vot Open Int.	Open Close Change High Low Est vol Open Int.	Int Finance 5 ¹ 4 99
Dec 96.81 96.86 -0.18 97.87 96.82 129186 201049	Dec 121.45 · · 121.50 121.26 3342 8 Mer 120.18 · - 120.16 120.00 1363 8	Bally 64 23 3500 92 1 98 -14 7.86 Spain 54 22 125000 118 2 118 1 2.57 Ferro dei Start 0.18 97 420 100.04 100.00 6.1550
Mar 96.41 96.26 -0.11 96.45 96.28 1817 8448	* LIFFE futures also tracked on APT. All Open interest figs. are for previous day.	Kome Be: Power 6 03 1350 977 985 -1 6.63 World Bark 51 02 250000 1165 1167 -241 Friend 1 99 1500 99.69 99.77 8 7812
UK CU TO BRICES		LTCS Fin 8 97 200 10172 10219 5.28

LONG	TERM FRENCH	SOND OPTI	ONS (MATI	F)									East Japan Rainey 5% 04 500 100% 101 4 652 Sweden 44 03 500 104 1042 4.13 SWCF 94 87 FFT 4000 1041 1042
Strike Price		CALLS	Jun		PUTS		US						EOSC 84, 99
	Dec		JUI	Dec			■ US TREASUR	BOND FUT	URES (CBT)	\$100,000 3	2nds of 100	3%	CER OL D7 1000 1003 1007 E00
14 15	3.87 2.70	:	•	0.04 0.07	0.48 8.70	:	O _E	n Sett pri	ce Change	High	Low	Est. vol. Open in	Box 06 Femos 6 59 200 105½ 105½ 5.93 YEN STRAIGHTS hasod 8id Offer
5 B	1.79	1.92	:	8.15	1.01	:	Dec 117	23 117-1	2 -0-12	117-26	117-13	104.276 405.50	Ex-lin Bank Japan 8 02 000 1084 109 -k 5.31 Reinten 5 89 1000 1094 170 410 170 110 110 110 110 110 110 110 110 1
-	0.99	1.34	1.86	0.32	1.42	1.84	Mar 117			117-14		1,582 34,272	Sport Day Corp 9/2 88 150 108/2 108/4 5.96 Cred Forcer 4/2 02 75007 1105 1107 12 200 Bunkamerica 1 99 750 99.67 99.77
	0.42	8.90	1.50	0.75			Jun 116	27 116-2	4 -0-05	116-29		304 6,225	Fed Horne Loan 7 ¹ 2 99 1500 104 104 2 - 5.00 EB 6 ² 2 00 100000 1204 1205 120 Belglum is 97 DM 000 100.11 100.23
	al. Cats 56,430			open int. Cells	129.357 Pub	143.647.							Federal Net Mort 7.40 04 1000 1074; 10772 -1, 6.40 Bi-lim Blank Japan 47, 03 105000 111 11114; _1, 2.80 Carredu -1, 98 2000 99.31 99.39
							Janan						Finland 64, 97 3000 102 102 ¹ g 5.78 Inter Amer Dev 7 ¹ 4, 00 20000 123 ¹ g 123 ¹ g 1.87 CCCE 8 05 Eq 200 98.40 99.53
												-	Ford Motor Credit 6's 98 1000 100 ¹ / ₂ 100 ¹ / ₄ - 1 810 Rely 3 ¹ / ₂ 01 30000 104 ² / ₃ 1051 256 Commercik OS Fin - 1 98 750 98.56 98.64 Ind Bit Japan Fin 7 ² / ₃ 97 200 102 ² / ₃ 102 ² / ₄ + 1 6.06 Japan Der 8t 5 50 10000 113 ¹ / ₄ 113 ² / ₅ 105 200 Gredit Lyonneis 1 00 000 97.69 98.25
LISS:							MOTIONAL L			OVT. BON	D FUTURE	S	
OTTO	NAL GERMAN	BUND FUTUE	RES (LIFFE)	DM250,000	100ths of 10	D%	(CIPPE) Y TOUR	100015 01 11	W76				Inter-Finance 54; 99
	Open Se	t once Cha	nge His	sh Low	Est. voi	Open int.	Op	n Closs	Change	High	Low	Est vol Open in	Ray 6 99 2000 954 9572 4 6.73 SNCF 64 00 30000 120% 120% 1,75 Orescher France 4 98 DM 1000 100.05 100.14
,		6.86 -0.			129188	201049	Dec 121	45 -		121.50	121.26	3342 8	200 92 96 4 7.88 Septim 54 09 129707 118h 1181 1181 1181 1181 1181 1181 118
		6.26 -0.			1617	B448	Mer 120		-	120.16	120,00	1853 8	Jacob Dev 28: 5-01 500 109-2 109-4 620 Searche 45-98 150000 1000 10000 10000 10000 10000 10000
	.						" LIFFE futures alor	tracked on APT	. All Open into	rest, figs. are	for previous	day.	Kons Bec Power 5t 03 1300 977s 99t -1 6.83 World Bank 5t 02 250000 1165t 1162 _t 241 Priend 12 99 1500 99.69 99.77
						_		100	200				LTCS Fin 8 97 200 101% 102% 5.28 Mil Bank Ind % 99 500 89.99 100 09
C	ILTS PRIC	ES											Measurable Esc 74 02 1000 105 1054 4 542 OTHER STRAIGHTS Bay 6 95 1000 98.72 90.79
	_											_	Marway 71, 97 1000 102 1021 5.72 Finland 8 01 LFr 5000 1045 1055 12 7.27 May 1 88 2000 100.04 100.13
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	Hiptor In	Red Price	H -10+3	igit Low		Maries inc	Red Price £ + ur →	High Low		Piotes ((1) (2) Prix	20€ +0r- High L	
- O b	es en to Five Years			Trees	s 12 ¹ -rc 2003-	9.83	7.85 127-5ai3	2812 11913 be	dec-Lister	Chia.			
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Lpc 19	611 14.5	6.44 104		95, 104, 71	oc 2000tt	7 72		97-8 9473	20c '86 43gc '9841 212pc '91	m35.6 2	02 3.12 1	11/2 +4 1124 10	200 all all all all all all all all all a
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	Doc 1996 86		d 10 101	4월 1832년 ** 9월 1871년 **	c 2002-6#1	7.93	7.90 100% +3			1135.6 3	23 3.57	143 +4 11512 10	Switchen 8/2 59
10 ¹ 200			u −3. 10	548 104 à Trea	11-Lpc 2003-	7 9.67	7.78 121 13 -	2316 11323	2pc 108	(89.5) 3. (78.8) 3.	32 3.58 1	B1 + 1634 19	Tennesses Valley 8 05 2000 100 2 100 2 100 4 -3 6.40 KW Int Pin 10 01 CS 400 110 110 3 - 7.23 Sweden -1 01 200 95.23 98.41
Cm 75	c 1997±± 5.5	6 6.59 100,		0}} 97's Trea	8 81 pc 2007 \$1	S19		9713	2 ¹ 29 C '09 2 ² 29 C '11	746 3	41 3.67 1	707 46 1715 16	Tolly 0 Bac Power 81, 03 1000 99 9814 -14, 8.46 Mippon Tel Tel 101, 98 C2 200 1081 110 -14 7.55
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pc 199	998±± 7.1				a Spc 2008	8.01	8.01 99% +3	02층 94	21 ₂ 00 '20 21 ₂ 00 '24# 41 ₈ 00 '20#		53 357 1 52 355 1 52 355 1	435 +1 1441 13 191 +1 1297 10 184 +1 1297 10	United Kingdom 74 02 3000 105% 106% 4 6.20 Oster Kontrollowick 104 90 CS 150 100% 1 798 Issued Price Ray Only
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				Tree	8 84pc 2017#	8.20	8.06 10653 -3			-20000	_		7.51 Codes 6.00 BS 30.007 COL Col
				Şıch	12nc 2013-17	6.61	&11 136 <u>表</u> 編	59K 127& A	ian Day 10%pc	2000 R.S	97 6.48 1 47 9.90 1	14% 116% 10	300 Ferrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 120 Perrori 44 th 500 September 200 120 April 112 142 142 142 142 142 142 142 142 142
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43,085 36,495 31,210

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Est. vol Open int. 15068 20165

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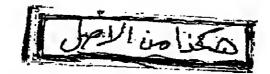
80.766 12.189 4,495

(LIFFE) SFr1m points of 100%

97.87

Low

5.00 5.00



CURRENCIES AND MONEY

MARKETS REPORT

French franc profits from political turmoil in Paris

French tranc

MAN

3.42

Against the D-Mark (FFr per DM)

By Robert Chote

The resignation of the French cabinet yesterday morning initially prompted a fall in the franc, but this was more than reversed on market hopes that its slimmed down replacement would take a tougher approach to government borrowing cuts.

The dollar remained sidelined by the uncertain outcome of negotiations between Congress and the White House over the US budget and a possible extension to the ceiling on federal government debt. A draft House bill would raise the debt ceiling by \$50bn until the middle of next month, by which time a final budget bill should have been sent to President Bill Clinton to consider.

Against this backdrop the US currency was underpinned by the franc's recovery against the D mark and by sales of D marks for Japanese yen. Quarterly US productivity fig. ures had little impact.

The Mexican peso fell

CROSS RATES AND DERIVATIVES

(BF4) 100 (DK4) 63.08 (PF4) 59.58 (DM) 20.57

47.07 1.828 18.36 46.63 19.55 23.87 43.68 25.56 45.98 21.46

III D-MARK FUTURES (RAW) DM 125,000 per DM

M SWISS FRANC FUTURES (MAI) SFr 125,000 per SFr

UK INTEREST RATES

Cents of Tax dep. (C100,000)

sharply against the dollar ket" as dealers concluded that of 9 big jump in the interest rates demanded by buyers of the government's debt.

The dollar ended the day a third of a pfennig above Monday'a London close at DM1.4167 and rose Y0.075 to Y102.95.

■ The uncertainty which at first surrounded the resignation of the French cabinet pushed the franc to a low of around FFr3.4765 against the D-mark, but on sober reflection the markets decided it was good news and pushed the French currency higher.

Mr Adrian Cunningham, senior currency economist at UBS in London, said the franc had turned out to be "the shining star of the European mar-

1.5800 1.5768 1.5770 1.5858 1.5793 1.5775 1.5775 1.5680

ain, prompting expectations the president and prime minister were simply putting pressure on dissenters to fall behind their plans to rein in social security spending.

Mr Cunningham said there

was scope for continued volatility in the short term, given the atmosphere of political instability. But he added that the franc was on course for FFr3.45 at year-end and FFr3.40 in 6 to 12 months.

However, Mr David Brown,

chief European economist at Bear Stearns, said the day's events suggested that tighter fiscal policy would be used to justify faster cuts in interest rates. He added that "the Bank of France may now be taking more liberties with tha exchange rate". He expects to see the franc moving through FFr3.50 in coming weeks.
The franc closed in London

since Monday's close.

was preity quiet. A cut of at most 1 or 2 basis points in the German repo rate is expected to keep the market calm today. at FFr3.452 to the D-mark, an The Italian currency edged appreciation of 1.3 centimes up from L1,128 to the D-mark to L1,125. The Swedish krons, which weakened on Monday as

■ The franc's performance

helped drag most other Euro-pean currencies higher against the D-mark, although trading

the government rebuffed specniation about early entry into the European exchange rate mechanism, recovered from Monday's close of SKr4.738 at

■Starling rose a whisker against the D-mark, closing at DM2.2357 from Monday's DM2.2332. Attention will be fixed today on the Bank of England's latest quarterly inflation report, which may indicate how willing the central bank will be to concede the case for an interest rate cut after this month's budget.

Technical analysts are nervous that any significant weakening in sterling could develop momentum, but for now the currency is caught in the same headlights as the dollar.

made up a little ground later. The peso shed around 12 centavos in early trading, taking the peso to around 7.52 to the dollar in the closely watched 48-hour contracts market. Before the weekly cetes auction analysts were looking for a rise of around 5 percentage points in the rate on the benchmark 28-day bond, taking it to

in interest rates. The peso

WORLD INTEREST RATES

MONEY RATES

week ago Germany

Jupon week ago

US Dollar CDs week ago ECU Linked Ds

\$ LIBOR FT London

EURO CURRENCY INTEREST RATES

+0.22 +0.16 +0.11

96.18

MONTH EUROLINA PUTURES (LIFFE)" L1000m points of 100%

+0.03 +0.04 +0.04

-0.02 -0.02

89.51

97,90 98,08 96,07 87,93

Sett price

Sett price Change

■The Bank of England provided the money market with around £904m of assistance at established interest rates to meet a shortaga forecast throughout the day at £900m.

around 50 per cent. The Mexi-can authorities hope this will

underpin the currency by

attracting dollar investors.

Nor 7			
Casca Ro	41.4525	41.4803	25.2740 - 26.2840
HERRY	208.540	208,725	132.186 - 132.230
170	4735.50	4733.10	3000.00 - 3000.00
Kanadi	0.4733	0.4739	0.3000 · 0.3002
Potent	3.8819	3.8871	24605 - 24625
Prompte	7141.13	7142.25	4524.00 - 4527.00
HAF	5 7030	5 7073	3 5724 - 7 6720

Nov 7		Closing	Change	Bid/offer	Dad	. 144			T	-			Ounts of
		mid-point	on day	spread	high	iow .	One mo	%PA	Parte my	XPA	One y		Benk of Eng. Inde
Europe													
Austria	(Sch)	15,7298	+0.0166	210 - 378	15 7386	15,6848	15,0004	2.5	15,6408	23			108
Belgium	(BFr)	45.P859	+0.0869			45.8310	45.8908	2.5	45,7008	2.5	44.0690	22	109.
Denmark	(DKr)	6.8638	+0.0078		8.6733		8.6562	1.1	B.6398	1,1	8.5771	1.0	110.
Finland	(FM)	6.7181	+0.0014	104 - 257	6.7257		6.7137	0.8	6.7056	0.7			88.
France	(FFr)	7.7189		157 - 220	7.7542		7.7258	-1.1	7.7313	-0.0	7.728	-0.1	110
Germany .	(DM)	2.2357		347 - 367	2.2390		2.2300	2.5	2.2217	2.5	2,1905		112
Greece	(Dr)	368.312	-0.364		370,891	387.906							97.
ireland	(EE)	0.9797	-0.0012	758 - 775	0.9780	0.9758	0.9750	1.0	0.9748	0.0	0.9714	0.5	97.
Italy	(L)	2515.57	-3.82	375 - 739	2522.38	2513.75	2522.82	-8.5	2537.72	-8.5	2605.67	-3.6	70.
Luxembourg	(LFn	45.9850	+0.0869	426 - 291		45,8310	45,8900	2.5	45,7009	2.5	44.9650	22	109.
Netherlands	(FI)	2.5053	+0.004	038 - 067	2.5074	2,4051	2,4996	27	2.4884	2.7	2.4427	2.5	108.
Norway	(NKr)	8.8632	-0.0067	567 - 696	9.6778	9.8451	8.8508	1.5	9,829	1.4	6.7535	1.1	98.5
Portugal	(Es)	235.145	+0.12	014 - 275	238,343	234.181	235,685	-28	236,905	-3.0			95.5
Spain	(Pta)	192,694	+0.068	606 - 782	192,993	192,145	193,194	-3.1	194,134	-3.0	196,534	-30	81.2
Sweden	(SKI)	10.5334	-0.0459	248 - 420		10.5248	10,5356	-0.3	10.5402	-0.3	10.5835	-0.3	85.7
Switzerland	(SFr)	1.7989	+0.0006	976 - 001	1,8010	1.7967	1,7918	4.7	1,7799	4.2	1.727	4.0	116.
UK	(2)		-	-		,				-			84.5
Écu	-	1.2178	-0.0005	171 - 194	1,2200	1.2187	1.2168	0.0	1.215	0.9	1,2068	0.0	
SOR1	-	1,057500								•			
Americas													
Argentina	(Peso)	1.5779	-0.0019	774 - 783	1,5808	1,5767		-	-	-	-	-	
Brazil	(PS)	1.5170	-0.0023		1.5192	1.5157							
Canada,	(CS)	2,1431	+0.0093		2.1428	2.1342	2.1442	-0.8	21462	-0.6	215	-0.3	94.2
Mexico (Ner	w Pesc)	11,6121	+0.2148	854 - 388	11,8388	11.6792		-		-			
USA	(S)	1.5781	-0.0019	777 - 785	1,5810	1,5767	1.5769	0.9	1,5751	0.8	1.5834	0.0	. 93.5
Pacific/Middle	e East/	Africa											
Australia.	(AS)	2,1001	+0.0059	988 - 013	2.1013	2.0968	2.1014	·-0.7	2.1042	-0.8	2110	-0.9	86.5
Hong Kong	(HKS)	12,2035	-0.0136	996 - 073	12,2248	12.1937	12.2	0.3	12.1875	0.5	12.154	0.4	
India	(Fks)	54,5234	-0.358	149 - 319	54,9220	54.4149				-			
brael	(Shk)	4.7694	-0.0019	842 - 745	4.7745	4.7629							
Jeman	M	162,465	-0.078	345 - 586	189,320	161,340	161.55	6.6	159.94	6.2	159,015	5.8	136.5
Malaysia	(MS)	4.0111	-0.0029	099 - 129	4.0203	4.0081		-					
New Zeeland	(NZ25)	2.4141	+0.0046	124 - 158	2.4158	24117	2.42	-30	2,4293	-2.5	2.4549	-1.7	101.0
Philippines	(Pego)	41.1885	-0.0812	991 - 778	41,2778			_				-	
Sauci Arabia	(6F0)	5.9187	-0.0072	168 - 205	5,9294	5.9137							
Singapore	(35)	2.2307	+0.0032	293 - 320	2,2328	2.2293	-			-		-	
South Africa	(PI)	5.7447	-0.00B	420 - 473	5.7548	5,7360							
South Korea	(Worl	1218.14	-0.99	767 - 860	1220.94			-		-			
Taiwan	(EI)	42 9520	-0.0311	371 - 568	43,0250			-		-		-	
Theiland	(Ha)	39,7682		423 - 940	39.8900					-		-	

4,862 2,581 2,867

1 2,269 0,089 0,893 2,267 0,951 1,160 2,123 1,243 2,236 1,043 1,417 1,377 1,895

16,78 8,909 10 3,452 7,901 0,307 3,051 7,826 3,283 4,000 7,530 4,291 7,719 3,602 4,862 4,753

High

3.875 8.868 0.344 3.459 6.784

3.685 4.496 8.228 4.816 6.684 4.043 5.490 5.335

Latest Change 0.7066 -0.0019 0.7113 -0.0002

84 - 61₂

THREE MONTH STERLING PUTURES (LIFFE) \$500,000 points of 100%

-0.01 -0.01

98.35 93.54 93.54 93.42 93.22

93.60 68.59 93.47 93.27

0.55 0.40 0.27

BASE LENDING RATES

10559 22241

longer authorised as-a banking institution. Royal Bk of Scotland

Sett price

93.56 93.56 93.44 93.24

Mer

0.43

2.124 1.728 1.285 0.437 1.39 0.390 0.991 0.419 0.507 0.926 0.543 0.977 0.456 0.619 0.602

2.564 0.100 1 2.640 1.069 1.300 2.379 1.392 2.505 1.189 1.587 1.542 2.067

up from I to L1,125. which wes	The kened	Swedish I on Mo	krona, nday as	auctio bills)	ations an of c would :	etes (o see 9 b	r trees	ury	Kunult Potand Rasele U.A.E.	3.881 7141.1	3 - 0.4739 9 - 3.8871 3 - 7142,25 9 - 5.7978	2.460	0 - 0.3002 5 - 2.4625 0 - 4527.00 4 - 3.6730	Portugue Spenish Stering Swiss Fr Can. Do	ranc see Esc. Peseta anc
Nov 7		Closing mid-point	Change on day	Bioloffer soreed	Deyn	roid low	One mi	%PA	Three m	MPA	. One y	%PA	LP Morgan index	US Dotts Italian Li	
Europe						_								Asian SS	ina
Austrie.	(Sch)	9.9876	+0.0225	851 - 700	9,9750	9.9275	9.9525	1.6	0.9223	1.9	9.8131	1.6	107.1		m rates era
Belgium	(BFr)	29.1400		200 - 800		29.0000	29.000	1.7	29.02	1.6	28.72		109.2	I THR	
Denmark	(OK)	5.4900		285 - 915		5.4602		-0.2		0.3	5.498		109.4		Op
Finiand	P-0	4.2571		533 - 668	4.2908		4.2587	0.1	4.2558	0.1	4.2511	0.1	87.4	Dec	93.
Germeny	(PPr)	4.8913 1.4167		905 - 920 184 - 170	4.2105 1.4190		1,4147	-0.7 1.7	4.899 1.4105	-08 1.7	4.9126		109.6 111.7	Mar	94.
Greece	(Dr)	233,390		340 - 440		232,740		-80		-8.4	251.79		66.5	Jun	94.
Ireland	œ	1,6158		148 - 168		1,6135	1,6159	-01	1.618	-0.1	1,6225		-		
Italy	a	1594.05	-0.5			1590,74	1600.8	-51	1612.65	-4.7	1670.05		69.4		CE MON
Luxembourg	(LFr)	29.1400	+0.09	200 - 600	29,2400	29.0000	29,000	1.7	29.02	1.6	28.72	1.4	109.2	- 11	
Netherlands	(FI)	1.5875		870 - 880	1.5992		1,5848	5 D	1.5797	2.0	1.5597	1.7	109.1		Op
Norway	(NK)	6.2500		475 - 525	6.2600		6.2462	0.7	8.24	0.8	6.23	0.9	98.0	Dec	95.
Portugal	(Es)	148.005		960 - 050		148,300	149.47	-3.7	150,48	-40	155,105		95.2	Mar	96.
Spain	(Pm)	122,105		080 - 130		121,590	122,485	-3.7	123.255	-3.6	126.75	-3.8	81,1	Jun	96.
Sweden Switzerland	(SIO)	8.8748 1.1399		710 - 785	1.3415	1.1373	6.6923 1.1363	-3.1 3.8	6.7268	-32 34	6.8973 1.1024	-3.3 3.3	85.0 116.1	Sep	98.
UK	(2017)	1,5781		777 - 785	1.5810		1.5789	0.6	1.5751	0.8	1.5834	9.9	83.7	■ THR	ee mon
Ecu	-	1,2980		958 - 963	1.2981		1.2964	-04	1.2971	-0.3	1,2994	-0.3	03.7	1	Op
SDRt	_	0.66920									-		-	Dec	89.
American														Маг	89.
Argentina	(Pesc)	0.9900		998 - 999	1.0000	0.9999		-		•	•			Jun	89.
Brazil	(P\$)	0.9613		611 - 814	0.8817			•	•		-	-		Sep	89.1
Canada	(CZ)	1.3580		575 - 585	1.3586	1,3520	1.9507	-1.5	1.3827	-1.4	1.375		83.7	= THE	EE MON
Mexico (Nev	Peso)	7.4850	40.145	700 - 000	7.5000	7.4650	7.4873	-0.4	7.4905	-03	7.4953	-0.1			
Pacific/Middle	5			•	•	•				•	•	•	94.4	_	Op
Australia	(AS)	1.3307	+0 0089	303 - 312	1.3312	1.3273	1.3325	~1.8	1,3361	-1.6	1.3558	-1.9	97.5	Dec	97.
Hong Kong	0-0001	7.7330		325 - 335		7.7328	7.7345	-0.2	7.7385	-0.2	7.7567	-0.3	07,5	Mar	98.0
India.	(Post	34,5500		900 - 100		34,6100	34.7	-5.2	35,005	-5.3	38,475	-5.B	-	Jun Sep	97.1
lurael	(Shid	3.0222	+0.0024	197 - 247		3,0180	-	•	•	•		•		,	EE MON
Japan	(4)	102.050	+0.075	900 - 000	103,380	102,830	102.455	5.B	101,535	5.5	97.86	5.1	139.4	- Inek	
Malaysia	(145)	2.5417		412 - 422		2,5390	2.5417	0.0	2.5421	-0.1	2.5497	-0.3			Ope
New Zealand	(NZS)	1.5298				1,5276	1,5338	-3.2	1,5414	-9D	1,5661	-2.4	•	Dec	94.3
Philippines	(Pago)	26,1000		500 - 500	28,1500								-	Mar	94.
Saud Arabia	(88)	3,7505		503 - 507		3.7503	3.7511	-0.2	3,7519	-0.1	3.7551	-0.1	•	Just	B4.
Singupore	(35)	1.4135 3.6403		180 - 140 385 - 410	1.4140		3,6556	-8.3	1.4038 3.7156	2.8	1,379	2.4	•	Sep	B4.
South Korea	(Wont	771,900		800 - 000	772,700	3.6965	774.9	-8.7	778.4	-8.3 -3.4	796.8	-8.4 -3.2	•	· LIFFE h	mana mbo
		27.2175		150 - 200		27,1900	27.2375	-0.9	27.2775	-0.9	100.0	~32		■ FUR	DLIRA O
Tahuan	(US)														

NOTICE OF REDEMPTION

as Trustee of the Mafie Finance Trust

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on December 15, 1995, 20.222327341% of the Outstanding

Principal Amount of the Notes, amounting to \$8,550,000.00 on a pro rata basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each \$10,000 principal is \$677.50.

On December 15, 1995, there will become due and payable on each Note the above amount, together with interest accrued to December 15, 1995. On and after such date interest will cease to accrue on the Notes (or portion

Citibank, M.A., as Note Trustee

will be made upon presentation and sur one of the Paying Agents listed below:

Citibank, N.A. 336 The Strand London, WC2R 1HB

November B, 1995

caracteed Floating Rate Notes Due 1997 COSP No. 629718-AA5*

era, S.N.G., Trest Divis

Citibank (Luxembourg) S.A. 16 Avenue Marie-Therese Grand Duchy of Luxembourg

+0.05 +0.04 +0.04 +0.03 8762 4621 2745 1852 Dec 94.36 94.41 Mar 94.53 94.54 Jun 94.50 94.54 Sep 94.38 84.43 * LIFFE trusses also traded on APT 94,45 94,56 94,56 94,45 947 163 77 LIRA OPTIONS (LIFFE) L1000m points of 100% 8975 9000 letterhead for a FREE OESIGN ■ Key Rings ■ Cuff Links ● Paperweights ● Enamel Badges Quality PROMOTIONAL GIFTS made by Manhattan-Windsor - Contractors to Steward St. Birmingham, B18 7AF, England, Fax: 0121-454 1497 THE TAX FREE WAY TO PLAY THE MARKETS' CITY INDEX

"This CUSIP member has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders. Neither the Issuer nor the Note Trustee shall be responsible for the selection or use of the CUSIP member, nor is any representation made as to its correctness on the Notes or as indicated a thin with a selection or the Notes or as indicated. As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment mads within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of **FUTURES PAGER** internal Revenue Code of 1936, as amended by the intergy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities. CURRENCIES - FUTURES - INDICES ■ MARKET NEWS & UPDATES 24 HRS A DAY FORD MOTOR CREDIT COMPANY U.S. \$ 250,000,000

ends y	2.15214 39.3960 1.91007 13.4383 162.483 7.28580	2,10121 38,5678 1,87595 13,1998 161,744 7,27101	+0.00214 +0.0452 +0.00211 +0.0159 -0.082 +0.0074	-2.37 -2.10 -1.79 -1.77 -0.48 -0.20	6.10 5.81 5.47 5.46 4.07 3.80	18 15 18 13 3	Interest payment made within the United States may be required by the Internal Revenue Code of 1956, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or extemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.
Z.	195,792	197.281	+0.189	0.76	2.81	-5 -10	
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		COSCOSIO	-0.000	3.56	0.00	-24	FORD MOTOR CREDIT COMPANY
M M	292,867	309.782	-0.265	5.77	-2.05		U.S. \$ 250,000,000
	2108.15	2115.09	-3.45	0.42	3.15		
	0.786802	0.840105	+0.018482	6.79	-3.00	-	FLOATING RATE NOTES DUE AUGUST 4, 2000
e char	gas are for Ecu	r e positive che percentage cità	aion. Currencias e inge clanoles e w orance between a contaga clavistica	nek currency.	Circupatos af	CHANGE TOP	In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:
			om GRAL Adjustin		•	Times.	■ Interest period: November 6th, 1995 to February 5th, 1996
ADE	PHEA SE E	S OPTIONS	£31,250 (cents	ber, bornej			(91 days)
		CALLS -			PUTS —		■ Interest payment date: February 5th, 1996
	Nov	Dec	Jen	Nov	Dec	-fater	Interest rate: 6.13625% per annum
	2 62	4 00	4.45	000	0.00		

	- CALLS -			- PUTS -	
Nov	Dec	Jen	Nov	Dec	Jan.
3.92	4.08	4.45	0.01	0.23	0.64
2.92	3.25	3.71	0.01	0.37	0.91
1.96	2.51	3.04	0.00	0.52	1.23
1.05	1.89	2.51	0.12	0.97	1.63
0.36	1.60	1.97	0.33	1.18	2.10
0.05	1.34	1.53	1.01	1.42	2.52
d, Call 17,31	Pus 3,816 . I	rev. db/s ops	us let., Calls 25	8.043 Pas 28	1,795
	3.92 2.92 1.96 1.05 0.36 0.05	3.92 4.08 2.92 3.25 1.98 2.51 1.05 1.69 0.36 1.60 0.05 1.34	3.92 4.08 4.45 2.92 3.25 3.71 1.96 2.51 3.04 1.08 2.51 0.36 1.50 1.97 0.05 1.34 1.53	3.92 4.08 4.45 0.01 2.92 5.25 3.71 0.01 1.96 2.51 3.04 0.00 1.05 1.89 2.51 0.12 0.36 1.60 1.97 0.38 0.06 1.34 1.53 1.01	3.92 4.08 4.45 0.01 0.23 2.92 5.25 8.71 0.01 0.37 1.98 2.51 3.04 0.00 0.52 1.06 1.89 2.51 0.12 0.97 0.36 1.50 1.97 0.33 1.18

3.912 2.174 2.076 1.154 2.931 1.296 0.805 0.447 1.841 1.024 0.072 0.040 0.718 0.399 1.824 1.014 0.785 0.425 0.834 0.518 1.708 0.850 1 0.556 1.799 1 0.839 0.467 1.140 0.834 1.108 0.818 1.477 0.821

Change

+0.0065 +0.0065

EMS EUROPEAN CURRENCY UNIT RATES

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■ STEPLING PUTURES (MM) 282,500 per £

611.2 271.4 304.6 105.1

240.6 9.344 93.85 238.4 100. 122.0 223.3 130.7 235.1 109.7 149.0 144.6 183.0

419.0 222.A 249.6 86.18 197.2 7.659 76.93 195.A 81.67 100. 183.0 107.1 192.7 50.92 122.1 118.7 153.2

21.45 11.38 12.76 4.411 10.10 0.362 3.937 10 4.195 6.118 9.863 4.602 6.250 6.073 8.096

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THE	R MONIA	EUMODOL	LAR (MAN)	\$1m p	ints of	100%		
	Open	Latest	Change	H	pt.	LON	Est. vol	Open int.
200	94.25	94.25	+1.77	94.	27	94.24	20,859	355.008
Var	94.60	94.58	+0.43	94,		94.58	47,988	407,935
km	94.86	94.82	+0.36	94		94.82	26,297	284,959
US 17	REASURY B	EL PUTU	ES (MM)	\$1m pa	r 100%			
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Jar .	95.04	95.00	_	95.		95.00	1.281	6,796
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EUnd	MANK OP	DONS (LIFT	±) DM1π	peints o	100%			
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tice	Nov .	Dec	Jen	Mar	Nov	Déc		Mar
575	0.25	0.28	0.44	0.45	0.01	0.02	0.02	0.04

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ar har som	Carlo 900	Pas G. P	reviews day	's open int	Cess 8596	Puis 267	5	

FUJITA CORPORATION USA

Coupon amount: US \$ 155.11 per note of US \$ 10,000

US \$ 1,551.11 per note of US \$ 100,000

BANQUE INTERNATIONALE ALLIXEMBOURG IN

Agent Bank

US \$ 25,000,000 **GUARANTEED FLOATING RATE NOTES DUE 1998** In accordance with the provisions of the above mentioned Notes, notice is

Interest period: November 6, 1995 to May 7, 1996 (183 days)
Interest payment date: May 7, 1996
Interest rate: 6.0675% per annum

Coupon amount payable per Bond of US \$ 100,000: US \$ 3,094.48

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L	W7
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Access to Workholde Markets. We are clearing members of all major U.S. futures exchanges and conduct customer business at futures exchanges around the world. 24 hours a day, you can place an order, get a quote, or get information on your account.

Superior Order Execution. Our trading floor operations are unsurpassed for quality and efficiency. For most market orders, we are able to execute your order and confirm your fill in just one

4. Trading Support. You get a complete range of trading information and support—free charts, newsletters, telephone "hotlines," and more. Plus, you get "extras," like currency conversion at institutional rates and call-free lines.

i. Discounted Commissions. Our commission rates on world futures and options on futures are among the lowest in the industry-50-70% less than rates charged by full-price firms.

Address: Belgium: 078-118444 Cerminn: 013-903-18100 France: 05-903-18-18100 France: 05-903-18-18100 France: 05-903-18-18100 France: 05-903-18-18-180 Dermonic: 80-91-76-55 Neitherlande: 06-052-7580 Sueclen: 020-7931-76 Spain: 900964446 Othera call 0171-247-1701, potents charge in original buschmark and cornersy the R is not pure to original buschmark and cornersy the R is not pure. WOUDS LEASEST FRANCE SEQUENT THROUGH BUSCONS	Name	0800-262-472 ax
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LONDON SHARE SERVICE HOUSEHOLD GOODS - Cont. <u>多多的,多名的不可使的存在的非常的现在分词不够的以及的特别</u> 27/17/20 27/ Kertwood \$2.00 kg (kg) 50/3/3 472 376 451 308 99 453 114 45 125 1762 2130/3 2130/3 9044 2164, 366 2164 353 64 9064 8180 9064 9064 9064 9064 9064 +1 BANKS, RETAIL ٦2 55 Mar. Colon S211, 8325 Mar. 23 May 24.27 (27.27) 12.42 (27.27 है। [48624 | कि | कि | क | | [44524 | 24] | [44] [45] | [452 | 1252 | 12543 के दे दे दे दे दे हैं। [4] DISTRIBUTORS HE CREATE STATE ST 計画報酬を受けるのである。 1997年 - 1997年 ABL Lake \$\frac{1}{2} \]
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1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 1997 | 19 Mat Continue State |\$4 || |241 ||\$45 | 12 || || || || || || || || 8.3 276.7 -.1 0.5 180.2 16.6 1.2 15.7 | 10.5 1.8 13.9 7 -1 9 1.9 101 3 14.6 FOOD PRODUCERS 3.1 128.5 5.1 8.0 116.9 14.9 1.1 229.0 1.2 1.1 24.0 1.5 3.31.1 16.7 3.31.1 16. | 1.5 | 2.4 | 2.4 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 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المكناهن الاجل

FINANCIAL TIMES WEDNESDAY NOVEMBER 8 1995 LONDON SHARE SERVICE OTHER FINANCIAL

| Property | Pro MY TRUSTS SPLIT CAPITAL - COST. | 11.7 St. 5.4.5 | According to the property of the property o 是不是处理的,我们是这种是一个,我们是这种,我们是这个人,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这一个一个,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人,我们也是这种的人, 中的 1972年,1973年,19 PET I VICE - I VICE -基代公司"完全"化计》和风景的记录的代码时间的电话的主义中的形式的中部内表现的电话和视图的影片或它是这个是个"中国国家的自己的自己的主要的是这种"国际设备的主义的 19 مَخْدَمُهُمُ الْمُمْ } | لمُم أدم |! أم أد أا أم أا أم ألمُوِّدُودُودُورُ أَا a - Caratelas de la calenta la calenta la calenta de la ca TELECOMMUNICATIONS 700 Grs Pf B1 13.4 2.9 78.1 3.4 10.4 3.4 10.4 3.3 37.5 0.4 22.2 9.0 24.9 1.9 34.1 BT Notes A Way 2 And Color A Way 2 And Color B W 7100 1907 1907 1908 1979 1979 1974 1974 1974 1974 75 10511400955 1054 1 7 14 1995 Mai 199 low dryfm 199 164- 4,905 172 365 1,284 191 172 7442 191 173 7442 191 173 1742 191 174 124 191 174 124 191 174 124 191 174 124 191 174 174 191 174 194 174 **当代で記述が記載をおりた** TEXTILES & APPAREL SHORESHINISE CRESHINISE SESSIONE SESSIONE SESSIONE SESSION SES ● 地名 日本 | 「「「「「「「「「「「」」」」 | 「「「「「「」」」 | 「「「」」 | 「「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「「」」 | 「」」 | 「「」」 | 「」」 | 「「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」」 | 「」 | 「」」 | 「」 | 「」」 | 「」」 | 「」」 | 「」 | 「」」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | 「」 | A Principal And The state of the s RETAILERS, GENERAL 1969 1969 1965 1965 1973 1973 57.3 57.3 66.8 167.5 167 OTHER INVESTMENT TRUSTS Apparation in the FT-GE Actuaries Share indicate.

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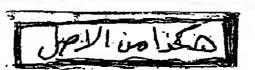
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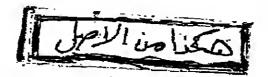
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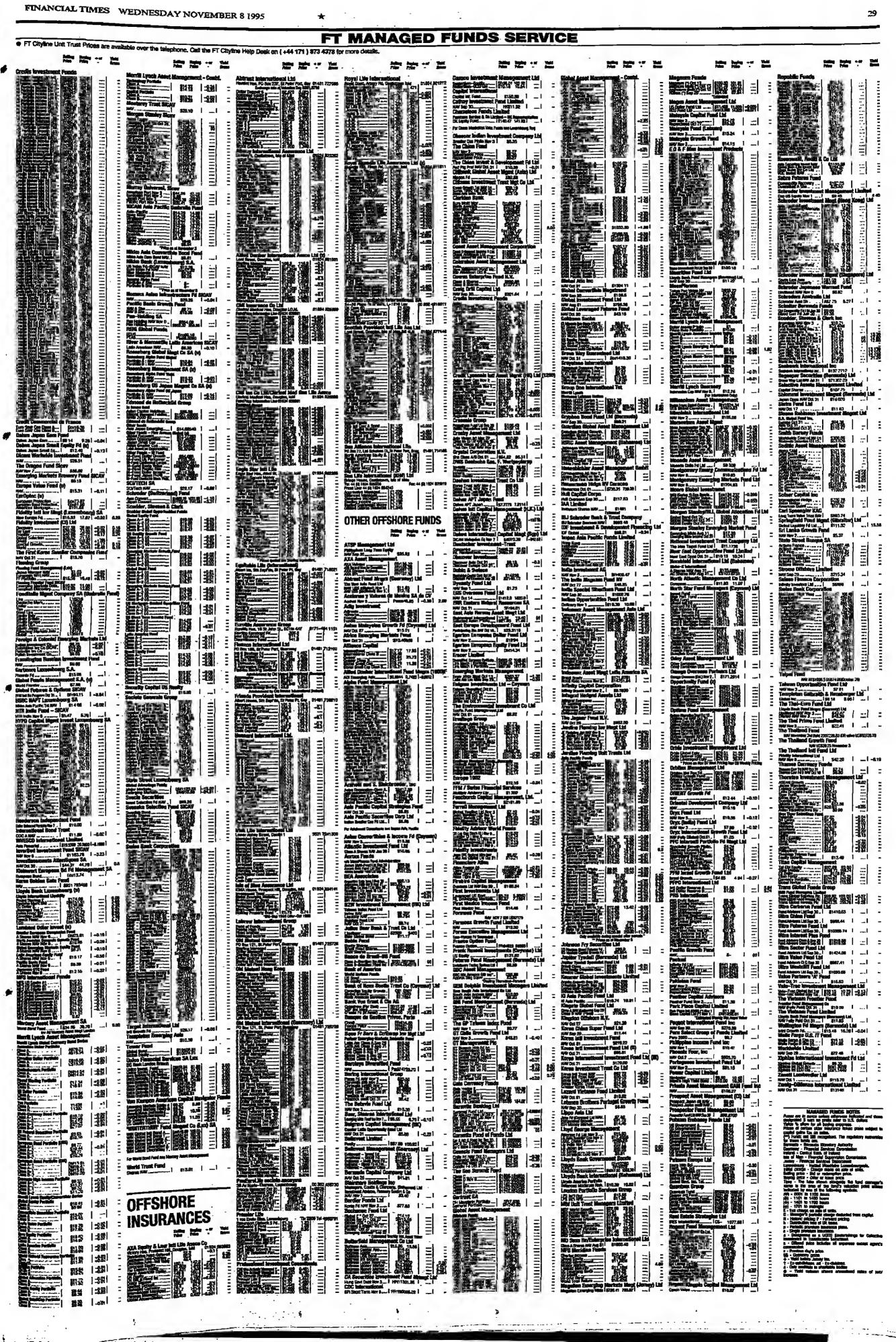
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LONDON STOCK EXCHANGE

MARKET REPORT

Takeover speculation drives equities higher

By Steve Thompson, UK Stock Market Editor

Another burst of actual and rumoured takeover stories, plus widespread relief with the majority of the day's company news, helped drive UK stocks higher yesterday.

London rose in spite of disappointing performances by Wall Street overnight and when the US market opened for business yesterday afternoon. Some dealers also expressed concern over the lack of progress made by bond markets yesterday, after news that two US bond auctions had been postponed. Senior dealers said the UK market remained "delicately poised",

with the bond market holding the Mid 250 index, representing the sec-key to equities' performance in the ond line stocks, put on 6.2 at 3,893.9, short term, in the absence of any hard takeover developments. One pointed out that marketmakers had become increasingly wary of Wall Street over the last couple of trading sessions, which had seen that market react negatively to a further spate of takeovers and mergers.

But the momentum of some determined and often sizeable buying interest, notably in the high street banks and the water and electricity stocks, was such that the market closed with good gains on balance.

The FT-SE 100 index moved up a further 7.8 to 3,522.4, for a two-day gain of 22 points, while the FT-SE

a rise of 20.2 over the past two days. Utilities stocks figured prominently in both indices, after news that the Department of Trade and Industry had allowed Lyonnaise des Eaux, the French group, to proceed with its intended bid for Northumbrian Water. The DTI did impose certain conditions, however, including price reductions of 15 per cent to be implemented over the next six years. Dealers expect the French company to launch its bid for

Northumbrian tomorrow morning, when the UK group unveils its interim results. Water stocks occupied three of particularly from Marks and Spen-

ces, but pride of place in the senior index was taken by TSB, which surged to a record high amid rumours that a counter-bid to the agreed merger with Lloyds Bank was imminent. Lloyds raced higher, also reaching an all-time high.

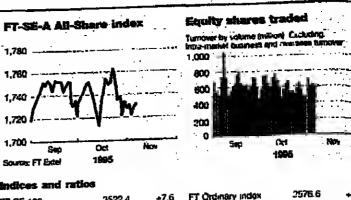
Abbey National was put forward as a potential counter-bidder and saw its stock climb rapidly, partly on the back of keen US buying after a series of successful presentations to US institutions last week.

There was relief around the market with satisfactory results released by the leaders yesterday.

the top five places in both the cer and BP. The only dark clouds FT-SE 100 and FT-SE Mid 250 indi-overhanging the market came from Guinness, which saw its shares fall heavily in the wake of a disappoint ing presentation, provoking a number of profits downgrades.

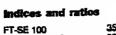
In the Mid 250 index, Amersham caused acote disappointment by posting static profits and no increase in the dividend, while Calor plunged in the wake of a profits warning prompted by the warm autumn weather.

Turnover in equities totalied a hefty 792.6m shares at 6pm, boosted by a flurry of two-way trades for cash in many of the FT-SE 100 con-stituents. Customer business on Monday was valued at £1.87bn.

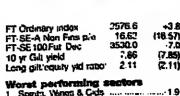


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Bid talk returns in banks

The return of takeover speculation in TSB Group saw the stock race ahead 161/2 to 396p, making it the day's best performing issue among FT-SE 100 constituents. Volume was 7.8m shares.

Last month TSB and Lloyds Bank announced plans for an agreed merger. Yesterday there were rumours in the market snggesting a counter-bidder may emerge for TSB. The list of possible suitors mentioned included Abbey National and German group Commerzbank.

However, analysts dismissed the counter-bid story and instead attributed the rise to some switching from Lloyds Bank and into TSB by several net funds.

It was also a good day for Lloyds Bank and the shares appreciated 1814 to 816p, after ABN Amro Hoare Govett, the gronp's broker, recommended the stock. Hoare was said to have highlighted the benefits of a merger between Lloyds and TSB. Turnover in Lloyds

stood at 8m. Abbey National was also in demand and the shares moved forward 12 to 545p. The placing of around 5m shares at 527%p contributed to the day's total turnover of 17m,

Strauss Turnbull yesterday came out with an aggressive recommendation on the stock. Analysts at the securities house said: "We think Abbey National will have the fastest

earnings per share and dividend growth of all the UK domestic banks. It also has a strong capital base."

Guinness weak

sharply as several brokers downgraded profits expectations following a company presentation to analysts and investors on Monday.

The meeting was interpreted as negative and an analyst who attended the meeting said: "It may not have been the intended message, but the company seems to be saying that things are not going as well as expected.'

The shares declined by nearly 4 per cent, slipping 20 to 489p, making them the day's worst performing stock in the Footsie. Volume stood at 6.7m. The list of brokers downgrading included Kleinwort Benson, which trimmed its

forecast for the year to December 1996 by £10m to £988m, and by £18m for the following year. Kleinwort said it was concerned about the group's "inability to increase prices".

Calor retreats

Warm autumn weather caused a profits warning from Calor Gas and added fresb impetus to the concern surrounding the dividend outlook at British Gas. The latter's shares ran up the day's second heaviest turnover among Footsie stocks - 12m - and closed

slightly easier at 228p. British Gas has come down from a May high of 317%p, as worries about long term fixed price gas contracts have gnawed away at sentiment.

Yesterday, bottled gas specialist Calor - down 20 at 237p kept the bearish mood intact with news that the weather

was adversely affecting profits. Down 7 at one stage, British Gas shares clawed back most Spirits group Guinness fell of the day's loss as a late rumour ran round the market that the group was about to renegotiate gas contracts with a top supplier.

The speculation was sparked by a Reuters interview which quoted BP as saying that "in extreme circumstances there was some potential for BP's gas supply contracts to be

renegotiated". Oil leader British Petroleum came off sharply immediately after the announcement of its third-quarter results hnt clawed back ground as the day progressed. The shares, down 7 at one stage, closed all-square at 469p following modest turnover of 6.3m shares.

sentiment firmly in check. rities analyst Mr Fergus MacLeod, worries about the operating environment had

ahead of brokers' estimates.

and there was also said to be widespread relief that BP did

not wholly share Shell's recent

view, a price war for market ahare among the top oil producing nations was not a credible possibility. NatWest npgraded its 1995 forecast by £65m to £2.045bn. Allied Domecq was the other main feature in the drinks sector, as it announced full-year

figures slightly better than The stock beld steady at 493p with some 4.7m shares traded

Group profits were well by the close. Analysts were

MANCIAL	. I TAKE	33 EU	UILI	IMPAC	E3			
	Nov 7	Nov 9	Nov 3	Nov 2	Nov 1	Yr ago	"High	"Low
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ord, div. yield	4.12	4.12	4.14	4.12	4,13	4.40	4.73	4.02
/E ratio net	15.54	15.51	15.43	15.52	15.51	18.10	21.33	15.35
/E ratio nil	15.36	15.32	15.25	15.34	15.32	17.65	22.21	15.17
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	Nov 7	Nov 8	Nov 3	Nov 2	Nov 1	Yr ago
SEAQ bargains	28,199	29,533	26,579	26,147	24,478	22,075
Equity turnover (Om)†		1867.3	1805.8	1542.4	1692.3	1072.1
Equity bargains†		34,976	31,302	30,836	30,058	24,813
Shares traded (milit		594.7	630.6	593.8	881.1	557,5
(Excluding intra-market but	doma and ov	ectes tumo	M.			

1995 Highs and lows LETE Egulty options Total contra Calls Puts Nov. 7 "Data based on Equity shares listed on the London Share Service.

The FT GUIDE TO WORLD CURRENCIES, published in Monday's

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Calls are charged at 39phoin cheep rate and 4phrain at all other times, For service busy downgrading current year profits estimates, after the company said it saw little scope to raise prices faster than inflation.

pessimism on the outlook for Dealers also reported some However, concern about the upcoming Opec meeting, which switching from spirits shares into other stocks in the sector. opens on November 21, kept Among those which benefited from the move were Bass, which gained 8 at 668p, and According to NatWest Secu-

Whitbread, 4 harder at 625p. Shares in Northumbrian Water surged ahead as bld been overstated. In his fever returned to the water sec-tor, after the UK government cleared French group Lyonnaise des Eaux's proposed

takeover of the utility.
Conditions imposed for approval included price cuts of 15 per cent over the next six years if the merger succeeded. Talk in the market was that the French group was lining up a bid of between 1050p and 1100p a share that could be tabled as soon as tomorrow.

sent the UK group's shares soaring 66 to 1074p.

Ms Angela Whelan at Credit Lyonnais Laing said: " I think the two sides will be meeting for talks and it will be an agreed bid. Northumbrian is unlikely to want to mount a serious defence as it could bring unwanted publicity from a regulatory and political point of view."

The prospect of such an offer

Satellite broadcaster BSkyB jumped to second place in the Footsie rankings, following top of the range first-quarter results. These helped dispel market talk of consumer resistance, and the shares bounded ahead by more than 4 per cent, adding 16 at 386p. The improved outlook for

media trading also infected the cable television groups. General Cable rose 6 to 189p and TeleWest Communications put on 5½ at 174p. Rumours that a top broker

had downgraded its stance on of the leaders. Pilkington tunbled by nearly 5 per cent or 9 to 186p. RMC and Redland, both of which have big German operations, fell 16 to 982p

and 6 to 331p respectively. Worries about broker profits downgrades continued to depress Caradon. The shares, 273p earlier this year, lost 8 to a 1995 low of 177p. Meyer International, which

put out a late summer profits warning, shed 14 to 328p as nervousness set in ahead of the interim results due later this

Business support services leader BET traded 25m ahares, following an institutional dividend-related trade of 21.8m shares at 122p. The shares closed slightly better at 131p.

MARKET REPORTERS: Joel Kibaro. Jeffrey Brown.

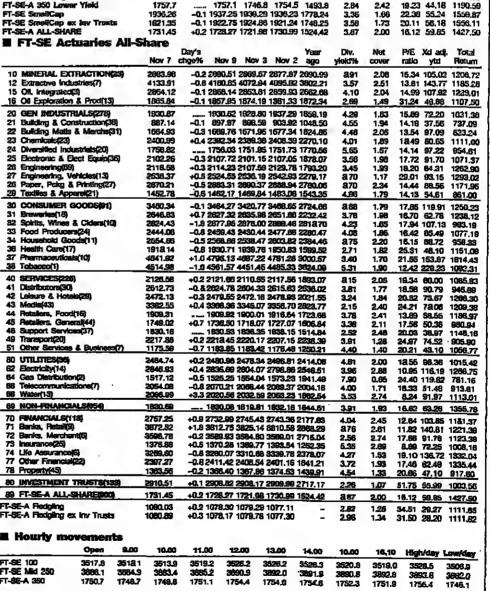
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Australaula (6)	2181.92	+0.3	2174,34	2715.90	2.30	24.19	2733.56	1788.2
North America (12)	1592.27	+22	1557,66	1631.19	0.84	45 71	1831.00	1348.1

European building materials stocks took the shine off some FT - SE Actuaries Share Indice The UK Series Nov 7 chge% Nov 6 Nov 3 Nov 2 ago ratio ytzi CONST +0.2 3514.8 3500.4 3523.0 3063.8 +0.2 3887.7 3873.7 3886.8 3519.7 +0.2 3907.4 3891.8 3905.9 3521.7 +0.2 1748.7 1742.7 1752.8 1538.4 2.07 1.84 1.90 FT-SE 100 14.99 126.81 1397.74 3522.4 4.02 FT-SE Mid 250 FT-SE Mid 250 ex law Trusts FT-SE-A 350 3.81 15.76 61.49 1423.19 1753.3 1757.7 1746.8 1742.9 1755.4 1543.5 1757.1 1746.8 1754.5 1493.8 4.94 2.84 3.36 3.58 1.81 2.42 1.66 1.73 t3.95 77.50 1179.90 19.23 44.18 1190.59 22.38 55.24 1559.87 FT-SE-A 350 Higher Yield -0.1 1937.25 1939.29 1936.23 1778.24 FT-SE SmellCap FT-SE SmellCap ex lay Trusts FT-SE-A ALL-SHARE 1621.35 -0.1 1922.75 1924.88 1921.24 1748.25 20.11 56.18 1556.11 +0.2 1728.27 1721.98 1730.99 1524,42 2.00 16.12 59.85 1427.50 **■ FT-SE Actuaries All-Share** P/E Xd adj. Yotal ratio ytd Return Nov 7 chge% Nov 9 Nov 3 Nov 2 ago -0.2 2890.51 2869.67 2877.87 2690.99 -0.6 4160.65 4072.64 4095.62 3802.21 -0.1 2868.14 2853.81 2859.93 2662.68 10 MINERAL EXTRACTION(28) 2.08 891 15.34 105.02 1206.72 12 Extractive Industries(7) 15 Off, integrated(3) 16 Off Exploration & Prod(13) 13.81 143.77 1185.28 14.99 107.92 1229.01 2.51 2.04 -0.1 1867.95 1874.19 1381.33 1872.34 31.24 49.88 1107.50 ____ 1930.62 1928.80 1937.29 1859.19 -0.1 897.97 896.59 903.92 1048.50 4.29 -0.3 1680 76 1671 95 1677 34 1824 85



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FT- <b>SE-A</b> 350	1750.7	1748.7	1748.8	1751.1	1754,4	1754.0	1754.B	1752.3	1751.9	1755.4	1746.1
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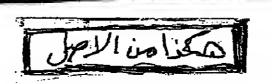
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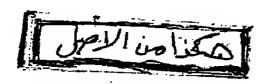


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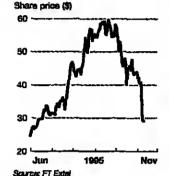
# on outlook for chip makers

**Wall Street** 

Worries about the outlook for makers of semiconductors and semiconductor equipment sent the technology-rich Nasdaq composite down sharply in early trading yesterday, dragging broader indices modestly lower, writes Lisa Bransten in

At 1 pm the Nasdaq was off 15.38 or 1.5 per cent to 1,046.76, while the Pacific Stock Exchange technology index shed 2.2 per cent. The Dow Jones Industrial

Average was 7.95 lower at 4,806.06. The Standard & Poor's 500 dipped 1.48 to 586.48 and the American Stock Exchange composite was 0.55 easier at



528.06. Volume on the NYSE came to 204m shares.

Cirrus Logic inspired concern among investors in chip manufacturers by warning thet operating profits for the second quarter, ended September 30. would be 10 to 15 per cent lower because a big customer had reduced orders. In early trading, the shares sank \$11% or 28 per cent to \$291/4.

Adding to pessimism in the sector was Merrill Lynch's move to downgrade several semiconductor groups including Intel. off \$412 to \$66. Micron Technology, \$2% lower at \$61%, and Texas Instruments,

which relinquished \$% to \$61%. Meanwhile, other semicon-ductor equipment makars dropped after an analyst at Soundview Financial lowered his ratings on five companies

Applied Materials gave up \$51 at \$481, Credence Systems fell \$3 to \$35, Lam Research dropped \$7½ to \$57½, Megatest was \$3 lower at \$27½ and Teradyne shed \$3% to \$30. Elsewhere, Value Health

sank \$2% or 11 per cent to \$22% after announcing a third-quar-ter loss of \$1 a share. The company also said it would take a \$31m restructuring charge in the fourth quarter. Ann Taylor edged up \$1/2 to

\$14% after reporting third-quarter earnings of 3 cents a share, 2 cents ahead of analysts' mean estimate. Shares in Pete's Brewing, the maker of Pete's Wicked Ale.

jumped in first-day dealings. Shares in the company were priced on Monday at \$18, but by midday yesterday were changing hands for \$25%.

American Depositary Receipts of Mexican companies were mostly lower amid continued economic uncertainty in Mexico. Telmex shed \$1/4 to \$26%, Desc was \$% lower at \$10 and Grupo Televisa gave up \$1/4

### Canada

Weakness in the bond market and sharp falls in one stock overshadowed Toronto. Last week's 200-point rise. inspired by the outcome of the Quebec referendum, appeared to have run out of steam. At

midsession, the TSE 300 index was down 4.26 to 4,586.40. Loewen, one of North America's biggest funaral home operators, fell C\$2% to C\$41% on concerns that the rapid growth that it had experienced would be hit by legal worries. Last week, a Mississippi jury awarded £500m damages

against Loewen for breach of

# Brazil unsettled by plan to launch investment tax

São Paulo and Rio de Janeiro suspended trading for a short period in protest at government plans to tax earnings on equities by foreign investors, São Paulo.

The Boyespa exchange authorities said the proposal to tax earnings on investments held for under 180 days at 5 per cent in 1996, rising to 15 per cent in 1998, would drive foreign investors away.

The government argued that foreign and domestic capital must receive the same treatment, and that earnings by foreigners must be taxed at the same rate. Congress was expected to vote on the proposal in the next few days. At midsession the Bovespa

index was showing a decline of 528 or 1.3 per cent at 40,415.

Mr Alvaro Augusto Vidigal. president of Bovespa, said the tax would raise less than half the \$400m a year predicted by the government, at the cost of draining liquidity from Brazil's markets. "The only other significant market in the world which taxes equity earnings is Chile, and 17 of the biggest Chilean companies are traded in bigger volume in New York

than in Santiago," he said.

MEXICO CITY was slightly weaker as the peso came under renewed pressure on the currency markets. At midsession the IPC index was down 14.14 at 2.261.16.

BUENOS AIRES was little changed by noon, with the Merval index off 3.83 at 397.35. Investors were watching the performance of ADRs on Wall

# S African industrials at record

their second consecutive record high as positive sentiment continued. Dealers said foreign investors had continued to fuel demand, which was being driven by domestic institutions. The overall index rose

NATIONAL AND REGIONAL MARKETS

Industrial shares climbed to 45.6 to 5,982.0, industrials added 56.7 at 7,678.6 and the golds index assed 1.00 to 1.268.K

Barlows advanced R1.25 to R50.25 and De Beers was up R1 at R102.25, but Sasol relinquished 20 cents at R31.45.

# US stocks fall Paris gains 2% as Chirac reshuffles government.

The sudden resignation of the government at the request of President Jacques Chirac pleased PARIS. The CAC-40 index initially raced ahead to a session's high of 1,864.71, before throttling back to close with a gain of 34.71 or 1.9 per cent at 1,857.35.

Mr James Cornish, European

strategist at NatWest Markets in London, remarked, ahead of the new cebinet being named, that Mr Chirac seemed to be hoping that "the theatrical gesture of a new, tighter govern-ment, albait with the same prime minister . . will enable him to make a new start and repair the unprece-dented loss of public confidence since tha presidential elections. If this view proves correct, French bonds and the franc should strengthen. though there will be a rough patch ahead if there are serione demonstrations and strikes . . . investors are,

therefore, be short term disap-Mr Simon Hopkins at Nomura in Paris commented that it appeared the reshuffle was an opportunity for tha government to smarten up its

however, still used to buying

French equities on the hope of

a weak franc, and there may,

FT-SE Actuaries Share Indices 10.30 11.00 12.00 13.00 14.00 15.00 Close FT-SE Eurotrack 200 1400.18 1404.82 1408.12 1411.81 1413.55 1415.03 1414.06 1414.02 FT-SE Eurotrack 200 1518.94 1520.92 1522.49 1526.57 1526.38 1529.96 1524.26 1524.01 Nov 6 Nov 3 May 2

image and rationalise disparate departments. "Increasingly, investors are convinced that what is required is the continuation of a tight monetary pol-icy combined with a real effort to reduce the budget deficit." CarnaudMetalbox gained late support after the European deal with Crown Cork & Seal. The shares rallied FFr9.40 or

TF1, tha private television channel, was sold heavily in late trade after it was disclosed that the chairman had been taken in for questioning by the police. The stock ended down FFr29 or 5.7 per cent at FFr481. FRANKFURT shrugged off a clutch of disappointing corpo-

4.6 per cent to FFr213.90.

rate results to rise steadily in responsa to the stronger French market and rise in the The DAX index closed 5.9 up The market was overshadowed by the political events in Paris and much of the gain reflected strength in bonds.

The dollar continued to strengthen and German exporters, which have been hit by the weakness of the US currency and corresponding strength of the D-Mark, moved ahead. SAP jumped DM7.40 to DM228.90 on US briving in response to a

However, chemicals groups which had been showing poor demand and falling prices as they reported third-quarter figures, continued to dampen enthusiasm.

Hoechst dropped DM8.50 to DM355 after Deutsche Bank cut its earnings forecasts for the company, and Bayer eased 10 pigs to DM366.70 in spite of bettar than expected figures.

BASF, which reports tomor row, fell DM1.50 to DM303.20. Schering, the pharmaceuticals concern, lost a further DM1.65 to DM95.40 in reaction to Monday's ban on low dosage

builder, tumbled an additional DM5.15 to DM33.65 on growing speculation that the company faces liquidity problems.

AMSTERDAM contended

with a 13 per cent drop in Fokker's share price as parent group Daimler confirmed that Dutch government did not provida financial support for plunged Fl 1.20 to Fl 7.80 as the AEX index shed 1.15 to 452.17. Unilever, which publishes its

tively flat figures.

show a net profit between Fl 129m and Fl 147m. MILAN was becalmed as investors staved away ahead of

contraceptive pills.

Bremer Vulkan, the ship-

could sever its ties if the restructuring of the aircraft manufacturer. The shares

third-quarter earnings on Friday, declined F1 2.60 to F1 203.00. Brokers said that expectations were for rela-KNP BT lost 90 cents to Fl 45.30 ahead of today's results, which were expected to

two key parliamentary votes

and an impending privatisa-

Share price (guilders)

tel index ended the day at 9.270, only 16 up from its previous close. The Comit index lost 0.75 to 578.54. Institutional investors held

off ahead of the 20 per cent privatisation of ENI, the oll and gas group, which takes place in two weeks' time and is set to raise L20,000bn.

The current low level of interest in the market was reflected by the latest figures on mntual fund investment. One economist said funds withdrew L681bn from equities in October, L654bn in September

and L384bn in August ZURICH maintained lts early

ished 10.6 higher at 3,133.8. SBC bearers hardened SF13 to SFr473 ahead of the publication of nine months' figures after the bourse closed. UBS bearer shares put on SFr10 at

siemens ad

26° , to DN

SFr1,233. STOCKHOLM made ground helped by a late rally in Astra following the publication of third-quarter results. The Affarsvärlden general index

added 6.9 at 1,713.0. Astra A was ahead SKr2.50 at SKr239, having initially retreated as investors digested the slightly weaker than expected results.

Volvo B rose SKr1.50 to SKr146.50 ahead of today's third-quarter figures.

MADRID responded to the

gains in the US dollar and Paris. A sharp rise in futures helped the general index firm 2.8 to 297.98. Telefonics was lifted Pta25 to Pta1.574.

TEL AVIV continued to rebound, although turnover, at Shk52 4m, was reported to be below the daily overage. The Mishtanim index rose 2.27 or 1.2 per cent to 188.20. Brokers said that investors were still in a "wait-and-see" mood.

Written and edited by Peter John

# Nikkei average closes lower on technical selling

### Tokyo

Shares closed slightly lower on technical selling prompted by a decline in the dollar, but activity remained steady on trading speculative issues, writes Emiko Terazono in Tokyo.

The Nikkei 225 indax was down 15.75 to 18,021.22 after moving between 17,936.03 and 18,073.54. The Topix index of all first section stocks eased 0.76 to 1,435,18 and the Nikkei 300 ended unchanged at 268.63. Volume came to 355m

shares, against 406m. Most overseas and domestic institutional investors stayed on the sidelines but individual investors dabbled in speculative issues. Trading was concentrated on a handful of stocks. with volume of the top 10 most actively traded stocks accounting for 30.7 per cent of the day's total business. Declines outscored advances by 614 to 422, with 161 issues remaining unchanged. In London the ISE/

Nikkel 50 index edged np 0.58 While the Nikkei 225 managed to keep the 18,000 level, traders said investors were reluctant to commit funds due to profit-taking by domestic institutional investors.

Daiwa Bank lost Y9 to Y730 after a rally in the morning session on continued bnying on reports of the posable merger with Sumitomo Bank. The latter, which had been sold due to speculation that the merger ratio would be around 0.6, ended Y50 better at Y1,770. Nomura Securities, a eading stakeholder in Daiwa which had been reported to be onwilling to offer financial aid

Sumitomo, held at Y1,930. Speculators targeted Takara Shuzo, the shochu maker. The stock jumped Y53 to Y1,050 on active buying, while specula-tive issues also gained ground. Pacific Metals rose Y46 to Y696 and Taito Y98 to Y858.

to the bank if it merged with

Mitsui Shipbuilding was the most active issue of the day, advancing Y32 to Y272. Tha shares were supported by individual investors encouraged by prospects of the company returning to the black this business year. The stock is also

regarded as a laggard in the hipbuilding sector. In Osaka, the OSE average slipped 71.26 to 19.566.55 in volume of 55.9m shares, Nintendo, the video game maker, moved

### ahead Y150 to Y8,350. Roundup

TAIPEI retreated after the central bank announced a lower than expected cut in banks' reserve requirements. The bank lowered reserve requirements by between 0.25 and 0.5

percentage points.
Tha weighted index closed 37.40 weaker at 4,825.19. Turnover was T\$23.6bn, after Monday's T\$15.8bn. Electronics shares fell on

profit-taking after five sessions of gains, with Acer losing T\$1 at T\$65. Heavily weighted financials were also hit by profit-taking, the sector having risen recently because of anticipation for a looser policy.

SEOUL remained unnerved by the investigation into former president Roh Tae-woo's slush fund scandal. The composite index declined 5.05 to After the market had closed

would call in the heads of the country's top five business groups today. Weak investor sentiment was reflected in thin trading, with only 23.3m shares dealt,

state prosecutors said they

against the daily average of some 30m. Shares in both Woosung Tire and Woosung Construction went limit down on concern that the fund scandal had delayed the tyre company's takeover deal. Woosung Tire

and Woosung Construction Won390 to Won6,190. SYDNEY rose in subdued trade, the All Ordinaries index finishing 3.00 up at 2,109.80. Turnover was A\$286m in vol-

dropped Won700 to Won11.600

ume of 126.5m shares. Banks posted the biggest ains, the sactor index climbing 15.6 to 3.114.90. Bank of Melbourne rose 20 cents to A\$7.30, spurred by takeover

BANGKOK, at a six-month closing low on Monday, was helped higher by late buying of Bangkok Bank, Bt2 firmer at



Bt206. The SET index put on 2.33 at 1,241.24 in thin turnover of Bt2hn.

Source: FT Extel

The finance minister said vesterday that the equity market should recover in the first quarter of 1996 when foreign currency markets were likely to be more stable. He said his optimism was

also based on an expectation that recent market support measures would produce results in the next few months KUALA LUMPUR slipped back and the composite index ended down 8.70 at 918.59. Dealers said the index could be eading for a key support level Landmarks retreated 28 cents to M\$3.30 on volume of

of 900 points now that the 920 support level had been broken. 8.5m shares after a major shareholder denied rumours that he was selling his stake. MANILA improved on technical buying but the overall mood remained negative. The composite index moved up 9.52

to 2,469.87, rebounding from a

session's low of 2.431.71. Turn-

over was moderate with 2.8bn shares worth 1.1bn pesos changing hands. SINGAPORE saw gains in

some speculative second-liners offset by blue chip losses. The Straits Times Industrial index receded 6.21 to 2,089.80 in turnover of \$\$206.9m. Brokers said Sembawang

breached another new low,

closing 15 cents cheaper at S\$6.35 as foreign investors switched to Jurong Shipyard, unchanged at S\$9.80. They said Sembawang was least likely to benefit from a shipyard recovery widely anticipated in mid-1996 in light of its underperforming core divisions. HONG KONG finished virtu-

ally unchanged in dull trading conditions. The Hang Seng index soft-ened 3.69 to 9,732.41 in turn-

over of HK\$2,4bn, after Mon-

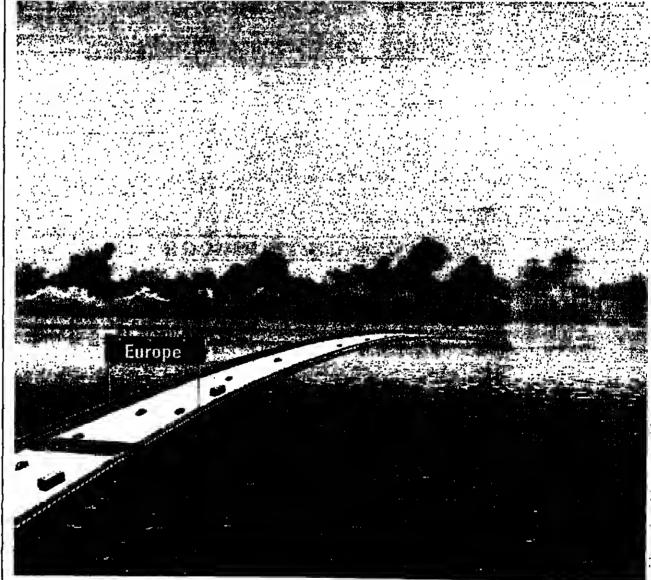
listed mainland Chinese companies remained week on gloomy earnings prospects. off 2.12 to 790.92, after Monday's 5 per cent decline.

SHANGHAI'S B index fell sharply as Shanghai Diesel Engine encountered fresh selling. The index aurrendered 2 per cent to 52.719, the lowest close since May.
Diesel Engine shed another i

per cent to 36 cents. WELLINGTON fell back as Telecom lost 3 cents to NZ36.45 following Monday'e strong performance. The NZSE-40 Capital index dipped 6.80 to 2,184.64 in

turnover of NZ\$33m. Carter Holt Harvey gave up 3 cents to NZ\$3.55, with news that International Paper was merging with Federal Paper seen as possibly delaying a full

Arrest of the second



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# FT/S&P ACTUARIES WORLD INDICES

Figures in parenthesee US	Day's	Pound			Local	Local	Gross	US	Pound			Local			Year
show number of lines Dollar	Change	Sterling	Yen	DM	Currency		Div.	Dollar	Sterling	Yen		Currency			800
of stock Index	96	Index	Index	Inclex	Index	on day	Yield	index	Index	index	#Inchess	Index	High	LOW	(ebbtok)
Australia (82)	0.4	172.67	119.60	135.37	162.40	0.8	4.00	183,54	172.25	120.27	135.07	161.08	191.01	157.96	170,96
Austria (27) 171.10	-0.8	160.65	111.27	125.73	125,65	-0.9	1.33	172.41	191,80	112.98	126,88	126.80	199,28	167.48	183,98
Belgium (35)194,65	0,1	182.64	126.68	143,03	139.44	-0.1	3,75	194,40	182.44	127.38	143.06	139.55	201.12	184,75	168.7E
Brazil (28)135.57	-0.9	127,21	88.15	99,62		-1.0	1.75	136.82	128,41	88.68	100.89	242.26	188.35	86.06	175.16
Canada (100)145.87	0.9	138.68	94.73	107,04		1.3	2.58	144,35	135.47	84.59	106.23	140.69	150.83	121,81	132.47
Denmark (33)281.26	-0.2	263,90	182.89	206.67	209.57	-0.3	1.55	281,73	264,40	184.81	207_33		295.99	258.61	247.81
Finfend (25)229.99	1.7	215.80	149.56	100.00		1.4	1.56	226.05	212.14	<b>148.1</b> 8	166.35	202.24	276.11	171,13	194.37
France (100) 175.53	-0.6	184,70	114,14	126.98	134.84	-0.5	3.25	176.58	165.67	115.68	129.91	135.51	181.17	157,79	170,92
Germany (59)158.30	-0.5	148.54	102.94	116,32		-0.7	2,05	150,13	149.84	104.27	117.10	117.10	167.74	135.39	143,58
Hong Kong (55)373.51	-1,1	350.46	242.89	274.48		-1,1	3.95	377.68	354.44	247 <i>.</i> 49	277.94	374,94	389.39	277,40	386,57
reland (16)245.85	0.1	231.83	160.52	151.39		0.1	3.50	245.63	231.45	191,81	161.50	216.11	250.65	185.34	207.54
Italy (58)71.11	-1,0	68.73	48,24	52.25	64.55	-0.9	1,80	71.81	67.39	47.08	52.85	85.48	82.71	85.45	77.61
Japon (483)	0,7	132.38	91.74	193.67	91.74	-0.1	0.83	140.08	131,48	91.79	103.08	81.79	164,82	136,96	160,92
Malayala (108)448.59	8.0	420.92	291.71	329.63		0.3	1.87	448.03	418.80	292.28	<b>828.2</b> 5	437.38	581.08	398.18	526,78
Mexico  18)898.25	-0,6	840.97	562.61	658.57		-1.8	1.93	901.63	848.18	590.82	663.51	7309.69	2155,31	647.81	2120,03
Netherland (16)253.94	-0,3	238.28	<b>165</b> ,14	186,60		-0.5	3.56	254.73	239.06	166.02	137.48	184.35	283.99	207.80	218.37
New Zealand (14)	0,5	78.50	53.01	59.91	86.01	0.3	4.33	B1.06	78,10	53.13	59.57	85.80	85.49	89.55	77.15
Norway (33)	-0.8	211.32	148.45	165,48		-0.9	2.1 <del>8</del>	227.27	213.29	148.92	157.25	192.67	243.79	192,92	199,09
Singapore (44)373.08	0,8	350.07	242.61	274.15		0.5	1.69	370,31	347.53	242.86	272.52	841,22	414.26	313.94	398.20
South Africa (45)398.53	1.0	343.95	238.35	209,35	291.69	0.5	3.99	362,79	340,47	237.73	266.97	289.13	368,62	281.05	338,34
Sprin (38)147,48	<b>−0.</b> 1	138.37	95.5 <del>0</del>	108.35	136.19	-0.2	4.1 <del>8</del>	147.B7	138.50	96,77	108.67	136.51	160.51	124,10	141,00
Sweden (49)305.66	-1,8	267-02	198.91	224.77	303.20	-1.1	1.92	311.49	292,33	204.12	229.23	306.63	320.43	225.80	
Switzerland (41)224.67	-0.3	210,72	146.04	145,02	159,44	-0.8	1.69	225,37	211.81	147.88	185.85	159.00	225.37	158.98	184.23
Tratand (46)	8,0	148.92	101.52	115.05	153.20	0,7	2.88	155,34	145.79	101.79	114.82	152,20	184.55	130.15	180,17
United Kingdom (206)224.05	0.4	210.29	145,70	184,64	210.23	0.4	4.05	229,12	209.39	148.21	164.20	209.38	227.31	187.07	202.37
USA (504)240.90	-0.4	226.04	155.65	177.02	240.90	-6.4	2.45	241.78	226.91	158.43	177.93	241.78	242.04	182.33	189.03
Americas (650)	-0.3	208,08	142.81	181.37	184,45	-0.3	2.44	220.52	206.78	144,37	182.13	185.03	220.86	170.88	176.62
Europe (739)193.86	-0.2	181.91	126.07	142.45	162.33	-0.2	3,10	194,20	182,28	127.25	142.91	182.62	199.02	163.04	179.12
Nordic (140)	-0.9	261.66	181,34	204,91	238.31	-0.6	1.83	261,42	254.11	184,41	207.10	237.66	295.02	215.79	223,77
Pacific Basin (832)	0.8	142.38	96.67	111.50	101.84	0.0	1.29	150.87	141.59	98.86	111.02	101.99	171.87	145.83	170.25
		158.78	110.03	124.33	124.77	-0.1	2.15	168.83	159.44	110.63	124.24	124.91	178.33		171.34
Euro-Pacific (1571)	0.2					-0.3	2.18	235.78	221.28	154.48	173.49	236.01		154.73	
North America (804)235.01	-0.8	220,52	152.82	172,69	234.30	-0.5 -0.5	2.55	174.34	163.61	114.24	128.29		235.91	178.85	185.52
Europe Ex. UK (\$33)	-0.5	162.75	112.79	127.45	138,23							136.93	179.48	146.45	163,83
Pacific Ex. Japan (349)252.34	-0,1	236.78	164.09	185,43	221,36	0.0	3.39	252.AB	236.95	165.44	185.80	221.37	266.79	211.19	200.92
World Ex. US (1782)170.25	0.2	159.75	110,71	126.10	126.38	-0.1	2.20	189.85	159,40	111.30	124.99	128.46	178.73	155.42	173.13
World Ex. UK (2060)	-0,1	177.15	122,79	138,75	165.95	-0.9	2.10	188.92	177.29	123.79	139.02	158.33	191.32	163,48	174.97
World Ex. Japan (1783)220.20	-0.2	206.62	145.18	187.80	204.84	-0.2	2.77	220.70	207.12	144,62	_1 <b>62.</b> 41	_205.30	221.43	178.95	188.18